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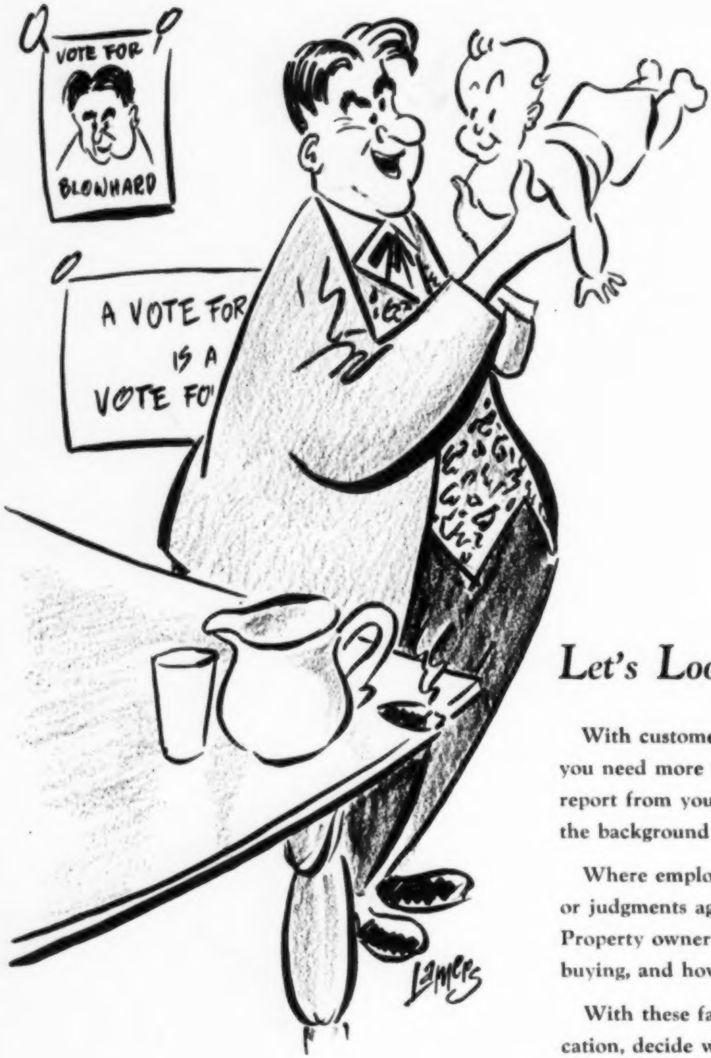
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Three Other Highlights

Nine Departments

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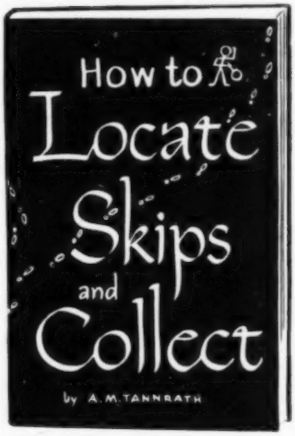

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1951 Retail Credit Survey

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INSTALMENT SALES at retail stores as a whole declined slightly in 1951 for the first time since 1945. Increases in cash and charge-account sales, however, were more than enough to offset this decline. The expansion in cash and charge sales amounted to an estimated 6 billion and 2 billion dollars, respectively, while instalment sales declined by about 600 million. These estimates of total retail sales by type of transaction, shown in Table 1 and the accompanying chart, are based in part on findings of the 1951 Retail Credit Survey.

Price changes played an important role in retail sales movements from 1950 to 1951. Price increases were prevalent in retail trade during the first half of 1951 and occurred even later for automobiles and apparel. Despite declines in list prices of many commodities in the latter part of the year and some further reductions through promotional activity and special discounts, prices for the year as a whole were considerably higher than in 1950. After allowances for price changes, the physical volume of sales was lower in 1951 than in 1950.

The distribution of sales by type of transaction remained practically unchanged in 1951. The proportion of instalment sales declined slightly but was still at about the prewar level. Sales of this type had expanded rapidly after the war and by 1950 accounted for 13 cents of the retail dollar, more than three times the wartime low. Charge-account business tapered off relatively during the war, but since then has been the most stable segment of retail sales. During the past three years charge-account sales have represented 19 cents of each dollar spent. Cash sales, following five years of decline, increased slightly in relative importance in 1951. Sales of this type represented 69 cents of each dollar spent in retail establishments during the year, as compared with 68 cents in 1950 and 78 cents at the end of the war.

TABLE 1

RETAIL SALES BY TYPE OF TRANSACTION

Annual estimates for total retail trade

Year	Sales (in billions of dollars)				Percentage of total sales		
	Total	Cash	Charge account	Instalment	Cash	Charge account	Instalment
1939	42.0	27.2	9.9	4.9	65	23	12
1940	46.4	29.6	10.9	5.9	64	23	13
1941	55.3	35.2	12.8	7.3	64	23	13
1942	57.2	41.0	12.6	3.6	72	22	6
1943	63.2	47.9	12.1	3.2	76	19	5
1944	70.2	54.4	12.7	3.1	78	18	4
1945	78.0	61.2	13.8	3.0	78	18	4
1946	102.5	78.6	18.7	5.2	77	18	5
1947	119.6	87.6	22.8	9.2	73	19	8
1948	130.5	93.2	25.7	11.6	71	20	9
1949	130.7	91.6	24.8	14.3	70	19	11
1950	143.7	98.0	27.4	18.3	68	19	13
1951	150.6	103.7	29.2	17.7	69	19	12

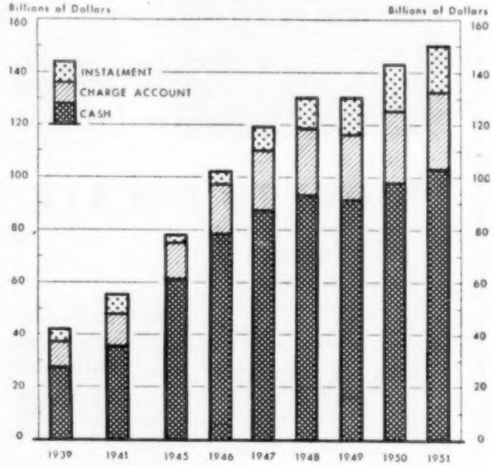
NOTE.—The estimates of total retail sales were compiled by the Bureau of Foreign and Domestic Commerce, United States Department of Commerce. Sales by type of transaction are based on data from the Census of Business for 1939 and 1948, and on Retail Credit Survey findings and other related data for intercensal and later years.

NOTE.—The Retail Credit Survey for 1951 is the ninth annual study of credit-granting retail stores conducted by the Federal Reserve System. The survey covers nine trade lines and is based on data from about 16,000 stores, all of which transacted a part of their business on credit. Information was obtained on sales by type of transaction, down payments and instalment paper sold in 1950 and 1951 and on accounts receivable by type and value of inventories at the end of these years. Totals include concerns submitting consolidated reports for multiple units, which in some cases could not be tabulated by Federal Reserve districts.

This article was prepared by Katharyne P. Reil of the Board's Division of Research and Statistics.

Copies of the 1951 Retail Credit Survey, which contains separate data for nine trades, may be obtained on request from the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C.

RETAIL SALES



Sales experience of retail stores in 1951 reflected a number of changes in the retail market that followed the mid-1950 buying upsurge stimulated by the Korean outbreak. The year began with a high level of sales as consumers—anticipating shortages—stepped up their buying again, following the Chinese intervention in the Korean conflict. Price increases that began in 1950 continued into the early months of 1951. Incomes continued large. Record production of both durable and nondurable goods permitted retailers to build up their inventories to meet an accelerated rate of demand. By the second quarter of 1951, however, consumer demand for major durables began to weaken as shortages failed to develop, and sales in some lines began to lag. Retail inventories began to appear large relative to the reduced sales volume. During the remainder of the year retailers attempted through shorter commitments, greater promotional activity, and price reductions to lower stocks on hand. Instalment sales of major durable goods had been subject to Government regulation of minimum down payments and maximum maturities since September 1950. These requirements were eased after July, in accordance with amendments to the Defense Production Act of 1950.

Sales at the nine kinds of credit-granting stores covered by the 1951 Retail Credit Survey generally showed moderate changes from the 1950 volume. Sales of durable and nondurable goods during these two years set the general pattern for the differences reported by the groups surveyed. Stores selling primarily major durable goods had experienced a rapid sales growth during 1950. In 1951 such stores reported sales declines as large as 9 per cent. Stores selling nondurables and smaller durable items, on the other hand, had shown less marked increases in 1950 and continued to expand sales during 1951. For such stores the 1950-to-1951 sales comparisons were generally favorable.

The high level of sales that prevailed during 1950 at stores selling primarily major consumer durable goods was supplemented by a wave of scare buying during the summer months. A second buying wave early in 1951 was followed by a rather sharp decline in the demand for such goods that brought total sales for 1951 below the level of the previous year. The decline, as shown in Table 2, was most pronounced at household appliance stores, where all types of sales were down. Declines in sales of appliances also accounted in large part for the slight reduction in total sales of furniture stores. Because used car sales remained strong in 1951, automobile dealers' sales for the year as a whole were only 4 per cent below the record 1950 total.

Hardware, jewelry, and automobile tire and accessory stores, which sell primarily smaller durable goods items, reported larger sales in 1951 than in the preceding year. The increase of 6 per cent at hardware stores was the largest reported in the 1951 Survey and resulted from gains in all three types of sales. Purchases of garden equipment, tools, and items for home repair and improvement were important in this expansion. Tire and accessory stores were able to offset their declining sales of major household appliances with increased volume of business in other lines. Business at jewelry stores, in large part because of the character and diversity of products handled, continued to run counter to the trend at most durable goods outlets. During the war, when other durable goods were scarce, jewelry store trade increased steadily. As supplies of other durables expanded after the war, jewelry sales declined moderately. Throughout most of 1951, however, these outlets were able to maintain sales at comparatively high levels.

Department stores are classified as nondurable goods outlets because of the importance of their soft goods departments, but hard goods constituted an increasing proportion of their total sales in postwar years prior to 1951. Sales of major household appliances and television sets declined both in dollar volume and as a percentage of the total in 1951, but total sales at these stores were 4 per cent larger than a year earlier. The major portion of this sales gain occurred in women's apparel and accessories and in men's wear. The upward trend for these departments was consistent with the sales increases reported by apparel stores.

Increase in Charge-Account Sales

Transactions by type varied considerably from one trade to another. Although charge-account sales on a national basis showed no increase in relative importance from 1950 to 1951, such sales expanded in dollar volume at eight of the nine trade lines surveyed and as a percentage of total sales at seven of the nine groups. Since expansion in charge-account sales occurred so much more frequently than in the case of either cash or instalment sales, it would appear that charge-account sales had an expansionary influence on total sales of most trade lines in 1951. Cash sales increased at only five of the nine groups.

Instalment sales were down in five trade lines. The largest decline, 11 per cent, occurred at household appliance stores. At furniture stores and automobile dealers, where instalment sales also account for large proportions of total business, sales of this type declined more moderately. These developments emphasize the fact that shifts in demand for major durable consumer commodities usually have a greater effect on instalment sales than on either cash or charge-account sales, since a large proportion of articles of high unit value are purchased on instalment. Shifts in demand for such durables were substantial in 1951.

TABLE 2

RETAIL SALES, BY TYPE OF TRANSACTION AND BY KIND OF BUSINESS

Stores Reporting in 1951 Retail Credit Survey

Kind of business	Number of stores reporting[1]	Percentage change, 1950-51				Percentage of total sales[2]					
		Total	Cash sales	Charge-account sales	Instalment sales	Cash		Charge account		Instalment	
						1951	1950	1951	1950	1951	1950
Department stores[3]	2,619	+4	+5	+5	−1	53	53	29	28	18	19
Men's clothing stores	463	+2	−2	+4	+12	43	45	49	48	8	7
Women's apparel stores	681	+5	+3	+7	+11	50	51	46	45	4	4
Furniture stores	2,182	−1	([4])	+2	−3	18	18	19	19	63	63
Household appliance stores	2,493	−9	−7	−4	−11	27	26	24	23	49	51
Jewelry stores	478	+3	+1	+2	+4	31	31	17	17	52	52
Hardware stores	887	+6	+4	+9	+3	44	45	49	48	7	7
Automobile dealers	3,632	−4	−8	+5	−1	48	51	14	12	38	37
Automobile tire and accessory stores	2,174	+1	+5	+5	−6	35	34	35	33	30	33

[1]The extent of coverage in the various trade groups is indicated by the following comparisons of sales volume of the reporting credit-granting stores with the estimated total sales volume of all stores for each trade: department stores, 84 per cent; men's clothing stores, 12 per cent; women's apparel stores, 14 per cent; furniture stores, 16 per cent; household appliance stores, 11 per cent; jewelry stores, 8 per cent; hardware stores, 5 per cent; automobile dealers, 12 per cent; and automobile tire and accessory stores, 25 per cent.

[2]Since the Survey is composed of credit-granting stores only, the proportion of total sales transacted on credit is larger than it would be if all stores were included.

[3]Includes mail-order houses.

[4]Less than one-half of 1 per cent.

At stores handling primarily commodities not covered by Regulation W, instalment sales increased—by 3 per cent and 4 per cent, respectively, at hardware and jewelry stores, and by more than 10 per cent at both men's clothing and women's apparel stores. The gains at apparel stores were accomplished partially through the increased use of three-payment plans for purchase of suits and coats. Instalment sales of these outlets continued to be a relatively small part of their total business.

Year-end instalment accounts receivable declined at six of the nine trade lines reporting in the 1951 Survey. A number of factors contributed to these declines. Changes in demand for some items that are usually sold on instalment and Government regulation of instalment contracts tended to reduce instalment sales. The regulation also operated to reduce accounts receivable by increasing the proportion paid down on instalment purchases and shortening the average repayment period. Changes in sale of instalment paper were generally small and were not an important factor in the 1950-51 changes in year-end accounts receivable.

Appliance Store Instalment Sales Decline

Household appliance stores, which showed the largest decline in instalment sales of any line covered, also had the greatest reduction in end-of-year indebtedness. Automobile tire and accessory stores reported a decline in instalment accounts receivable more than proportionate to the decline in annual instalment sales. As shown in Table 3, these stores reported larger down payments in 1951 than in 1950, an increase in the proportion of instalment paper sold to outside agencies, and faster repayments on paper retained.

Instalment accounts receivable held by automobile dealers declined 8 per cent from the end of 1950 to December 31 of the following year. However, this is not necessarily indicative of the change in total outstanding indebtedness arising from their instalment sales since automobile dealers sell nearly all of their instalment paper to banks, finance companies, and others.

Instalment accounts receivable of hardware stores on December 31, 1951, were somewhat below those of a year earlier in spite of an increase in instalment sales during the year. A similar decline in instalment indebtedness occurred at furniture stores. These declines reflected changes in the sales pattern, larger down payments, and faster repayment during 1951 than prevailed during most of 1950.

At jewelry stores end-of-year instalment accounts receivable showed a small increase from 1950 to 1951. These were the only outlets selling durable goods for which the average repayment period lengthened in 1951.

Down payments on instalment sales, which vary considerably from trade to trade, were somewhat larger in 1951 than in the preceding year at all retail outlets handling primarily commodities subject to Regulation W. This reflects in part the fact that regulation of credit terms was in effect throughout all of 1951 but only a part of 1950. The 1951 average down payment as a proportion of instalment sales amounted to nearly one-half at automobile dealers, more than one-fourth at hardware stores, and approximately one-fifth at furniture and household appliance stores.

The most marked increases in down payments—4 percentage points—occurred at automobile tire and accessory stores and at department stores, both of which handle a great variety of merchandise and, consequently, are subject to fluctuations resulting from shifts in the relative importance of different types of commodities. These stores have smaller average down payments relative to instalment sales than those transacting nearly all of their deferred credit business in hard goods of high unit value. At jewelry and apparel stores, where little or none of the merchandise sold was subject to regulation, down payments remained virtually unchanged as a proportion of the sales price.

Sales of instalment paper vary widely from one kind of business to another. Automobile dealers customarily sell most of their instalment paper regardless of size or type of operation. Household appliance stores sold more of their instalment paper—about one-third—in the past two years than in other recent years. Jewelry and apparel stores continued to hold virtually all of their instalment contracts in 1951.

TABLE 3

RETAIL ACCOUNTS RECEIVABLE AND RELATED ITEMS, BY KIND OF BUSINESS

Stores Reporting in 1951 Retail Credit Survey

Kind of business	Number of stores reporting	Percentage change in accounts receivable during 1951: Charge accounts	Instalment	Average collection period for accounts receivable[1]: Charge accounts (in days) 1951	1950	Instalment (in months) 1951	1950	Down payments as percentage of instalment sales 1951	1950	Instalment paper sold as percentage of instalment sales 1951	1950
Department stores[2]	2,562	+ 6	− 6	64	62	13	15	17	13	35	35
Men's clothing stores	450	+ 2	+ 9	61	59	8	7	11	11	([3])	([3])
Women's apparel stores	573	+ 7	+11	69	67	7	7	12	12	3	3
Furniture stores	1,716	− 2	− 4	64	69	13	15	19	18	8	7
Household appliance stores	2,079	− 4	−14	56	56	14	16	21	20	35	35
Jewelry stores	455	− 2	+ 3	63	63	14	13	13	13	3	([3])
Hardware stores	822	− 3	− 4	52	55	11	12	26	25	28	28
Automobile dealers	3,308	+ 3	− 8	50	47	([4])	([4])	49	48	47	47
Automobile tire and accessory stores	2,120	−19	−13	37	49	13	15	16	12	17	15

[1]Estimated in part from reported data.

[2]Includes mail-order houses.

[3]Less than one-half of 1 per cent.

[4]Not computed because the small proportion of instalment paper retained by automobile dealers gives a collection period not typical of their entire instalment business.

Practices in financing customer instalment accounts may also differ greatly within a given kind of business. Some companies prefer to finance receivables through direct sale of customer paper, while others obtain bank loans or make other financial arrangements and service their own paper. Small and medium-sized household appliance stores sell a larger proportion of their instalment paper than large stores or multiple-unit operations. On the other hand, large and multiple-unit firms account for most of the paper sold by department stores and mail-order houses. In those trade lines that customarily hold most of their paper or transact little instalment business, sale of paper by multiple-unit outlets is less usual than at other outlets.

Total consumer charge accounts outstanding, estimated from monthly data, were above year-ago levels throughout most of 1951 and on December 31 amounted to nearly 4.6 billion dollars, more than 0.2 billion above the amount outstanding a year earlier. Among the trade lines covered by the Survey, increases in such credit outstanding at the end of the year were reported by department stores, men's clothing stores, women's apparel stores, and automobile dealers, as shown in Table 3. These four groups transact a substantial proportion of all retail charge-account business.

Year-end charge accounts receivable of automobile tire and accessory stores declined substantially despite an increase in annual charge-account sales. Sales at these outlets were large in December 1950, and the amount of credit outstanding reached an unusually high level at the year-end. In the fourth quarter of 1951, particularly in December, sales were below those of a year earlier, and end-of-year accounts receivable fell considerably below the large amount outstanding at the end of the preceding year. At the other four durable goods outlets, charge accounts receivable at the end of 1951 were only slightly below those at the close of 1950.

The average collection period for charge accounts in 1951 was between 50 and 70 days for most groups. These accounts were repaid more slowly at four of the nine trade lines, and at about the same rate as in 1950 at two others. At furniture stores, however, where the repayment period had been somewhat longer than at other outlets in 1950, charge-account credit was paid off more rapidly in 1951. This change may have been due, at least in part, to some reclassification of 90- and 120-day accounts, which had been carried on a charge-account basis during the period when instalment credit was unregulated but which under regulation were defined as instalment credit. Charge accounts of automobile tire and accessory stores customarily have been collected more rapidly than at most other retail outlets. In 1951 the collection period was reduced about one-fourth, averaging only 37 days.

Expansion in Retail Inventories

Retail inventories expanded considerably during most of 1950, despite record sales, and this accumulation continued in the early part of 1951. According to Department of Commerce estimates, retail inventories reached a seasonally adjusted high of 20.6 billion dollars on May 31. As the market softened, inventories began to appear large in relation to current sales volume. With orders for most items being filled promptly, merchants found it desirable to buy more cautiously. At the same time they attempted to expand sales and reduce large stocks of many items through special features, tie-in sales, markdowns, and occasionally through somewhat lower markups. By December 31 retail inventories had been reduced to 18.3 billion dollars, only 0.5 billion over the total at the end of 1950. At the end of 1951, retailers' merchandise orders for future delivery were substantially below those of a year earlier.

Inventory changes by trade lines varied sharply from the 3 per cent increase shown by total retail inventories during the year 1951. Increases for automobile dealers, hardware, men's clothing, and department stores ranged from 16 to 4 per cent, as shown in Table 4. In the two lines reporting decreases in stocks—furniture stores and automobile tire and accessory stores—the changes were small and did not alter the relationship with sales. ★★★

TABLE 4

INVENTORIES, BY KIND OF BUSINESS AND BY SIZE OF STORE

Stores Reporting in 1951 Retail Credit Survey

Kind of business	Percentage change, end of 1950 to end of 1951	Inventory turnover by size of store[1]									
		Total		Small		Medium		Large		Not classified by size	
		1951	1950	1951	1950	1951	1950	1951	1950	1951	1950
Department stores[2]	+ 4	4.3	4.3	3.3	3.2	4.6	4.2	4.8	4.5	4.0	4.2
Men's clothing stores	+ 7	2.7	2.8	2.1	2.1	2.6	2.7	3.0	3.1	2.6	2.9
Women's apparel stores	([3])	4.9	4.7	3.7	3.6	4.4	4.1	4.7	4.4	5.8	5.7
Furniture stores	− 4	2.7	3.7	2.4	2.4	2.6	2.6	2.8	2.7	2.9	2.8
Household appliance stores	+ 2	3.3	1.6	3.1	3.7	3.8	4.2	3.7	4.0	2.9	3.3
Jewelry stores	([3])	1.6	2.7	1.2	1.3	1.6	1.6	1.3	1.3	2.4	2.1
Hardware stores	+ 8	2.7	10.3	2.0	2.0	2.5	2.6	3.0	3.1	3.6	3.4
Automobile dealers	+16	8.6	4.0	5.4	6.4	6.7	8.2	9.3	11.1	8.9	10.4
Automobile tire and accessory stores	− 3	4.2		2.3	2.3	2.9	3.0	5.8	5.2	3.9	3.9

[1]Turnover is the ratio of sales to year-end inventories. Reporting firms were classified as small, medium, and large on the basis of 1951 annual sales volume. Different trade lines were classified into size groupings appropriate for the particular line. The range of the medium-sized group for each trade line, in thousands of dollars, is as follows: Department stores, 1,000 to 10,000; men's clothing and women's apparel stores, 250 to 1,000; furniture stores, 200 to 500; household appliance and jewelry stores, 100 to 250; hardware stores, 100 to 500; automobile dealers, 250 to 500; automobile tire and accessory stores, 50 to 100. Within trade lines, stores with sales volume below the lower limit for the medium-sized group were classified as small; those with sales above the upper limit for that group were classified as large.

[2]Includes mail-order houses.

[3]Less than one-half of 1 per cent.

It Costs Less and It Is Easy to Buy at Sterchis

WALTER E. HASSE, *Secretary*, Sterchi Brothers Stores, Inc., Knoxville, Tennessee

IT COSTS less at Sterchis." Adherence to that motto is one of the principal reasons why the small home furnishings store opened by James G. Sterchi and his brothers in Knoxville, Tennessee, 64 years ago has grown into a retail chain that covers the South. Today we operate 38 stores in 37 Southern cities from our Knoxville headquarters, covering the states of Tennessee, Kentucky, North Carolina, Georgia, Alabama and Florida.

Mr. Sterchi had great faith in the future of the South but the implementation of one of his basic philosophies, that every industrious person was entitled to some of the better things in life, has made it possible for Sterchi Brothers stores to take advantage of the growth of the region they serve. His theory of "making it easy to buy at Sterchi's for everyone," inaugurated a policy of selling on credit which has made the company one of the leaders in installment selling. This policy, carried on by the present management, has resulted in an annual sales volume of between 12 and 14 million dollars every year since the war, more than double the pre-war volume.

Installment selling at Sterchis has been developed to cover every phase of customer relations. For instance, customers can choose their own schedule of payment, whether weekly or monthly, or in some cases, even quarterly or semi-annually. While we know that letting our customer make payments weekly increases our office work, we feel that it not only promotes good collections but also provides more inducement to buy and, in many cases, more sales opportunities because of more frequent visits to the stores to make payments.

We feel that a major inducement to buying and good collections has been Sterchi's system of installment accounting at the collection window. While there are some advantages in merely receipting at the window and posting later, we feel that doing both receipting and posting at the window has many favorable aspects that far outweigh those of the other system. Window posting has had excellent customer acceptance. Customers appreciate the fast machine service we are able to give and the neat machine-printed passbook they receive. And they like the idea of knowing the transaction is correct and completed when they make their payment, with no errors in posting to their accounts developing later.

The new machine system has effected a great improvement in the efficiency of operations on the office side of the window too. Our main problem was that we were unable to get proof of a transaction at the window until the day after the payment was made. Ledger cards had to be held out until the following day for proving, with no way to spot incorrect postings. Each time it was necessary to refer to a ledger card out of the file there were several places to look for it, with subsequent misfiling and a great deal of lost time and inconvenience.

The increased efficiency of Sterchi's system of window posting with Burroughs Sensimatic accounting machines is indicated by some of the savings in time and personnel it makes possible. At our Knoxville store, we used two receipting machines regularly at the windows, with another added during peak periods, to handle some 2,000 payments weekly. The operation was slow, because the cashier had to select the proper posting line on the machine and two totals had to be manually printed.

Now, we use only two machines, and the second is primarily for posting charges, being used at the window only during peak periods. With just these two machines we have the capacity to handle practically twice our present volume. The versatility of the machine permits its use on either payments or charges, and its visible alignment and automatic totals speed up the window operation considerably. Peak postings of 400 to 500 payments on Saturdays are easily handled.

We also save the time of an employee for half a day each day in the week by eliminating the necessity for balancing and refiling ledger cards. On occasion we had the cards for three or four days out of the file at one time, looking for errors. Now we post, balance and refile each card in just a few seconds. Managers of other Sterchi stores have expressed enthusiasm over the new machine, and we have recently standardized on the new system. Machines installed at present number 41, in 27 stores, and installations in the remaining 11 stores will be completed this year.

Speaking of the over-all picture, there is another advantage in the simplicity of the Sensimatic accounting machines in that there is no training problem. Cashiers learn to operate them after only a brief period of instruction from our traveling auditor who assists in the installations. This is an important consideration in these days of rapid personnel turnover.

In our new system, every sale made, whether it is on an open account, installment, or cash payment basis, is written up on a contract form. This contract includes the list price of the merchandise, the carrying charge, insurance, state and federal taxes and total price. When there is a down payment the customer receives a written receipt for this amount, along with a copy of the contract.

The contracts for the previous day's business are sorted alphabetically into eight ledger controls each morning and posted to customers' ledger cards and receipt books. Down payment receipts, which have also been sorted by these controls, are posted to the receipt books and ledgers immediately following. Totals of each of these are obtained from the machine and posted to the proper ledger controls to obtain totals for each ledger.

We furnish a receipt book, designed for 36 entries to each customer making a contract or 30-day cash purchase. The receipt book is withheld until the first payment is made and then presented to the customer with instructions that it shall accompany all payments, whether made in person or by mail. A temporary receipt is issued in cases where the book is not brought or sent in with the payment.

When a customer enters the store and makes a cash payment on his account, the receipt book and ledger are posted simultaneously on the Burroughs Sensimatic accounting machine at the cashier's window. After receiv-

ing the payment and the receipt book from the customer, the cashier indexes the old account balance on the keyboard and posts it to the journal. The carriage then opens automatically and the cashier inserts the ledger card and receipt book and indexes the amount of the payment. The machine then completes both forms, printing the amount of payment, date and new balance automatically. The cashier's number is then indexed on the keyboard, along with the customer's book number and the control number. The control number always prints on the ledger card, giving visible proof that the correct control number has been selected and insuring posting to the proper control later.

After these designating numbers are printed the carriage opens automatically and the forms are removed. The previous balance is indexed and entered in the machine and, if all the figures have been handled correctly, the exact amount of the payment totals out as a proof of correct posting. When this is assured, the cashier returns the customer's receipt book along with any change and the transaction has been completed and verified before the customer leaves the window.

Mail payments which are about 20 to 25 per cent of the total, are handled in the same manner as those made in person. If the customer forgets to mail in the receipt book with the payment, or to bring it in, a temporary receipt is posted in the machine in place of the receipt book. This requires only the one additional step of entering the customer's name.

Although we normally have only one of these machines in operation regularly at the window, using the other for back office posting, the versatility of the machine permits its use at the window during the peak periods on Friday afternoon and Saturday of each week. Because of this, and the fact that more than one cashier may be using either machine because of lunch, relief periods, etc., each clerk who serves as a cashier has her own cash till which fits in the cash drawer. Because the cashier number is indicated on each individual transaction appearing on the audit journal, the total cash handled by each cashier can be established.

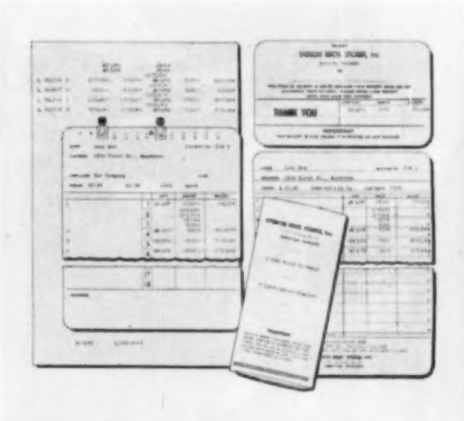
Cashiers' transactions appear only in blocks (not intermingled) so it is easy to take off the payments made to each cashier by controls for the ledgers one through eight and enter them on a summary sheet at the end of the day. This establishes the amount to be posted to each control and the total of the summary sheet or sheets must agree with the amount of cash taken in. Audit procedure also requires that cashiers initial void entries and the first and final entries on the tape. Cash and down payment receipts are also listed on the summary sheets, along with totals of collections made by collectors.

Each one of our 38 stores sends in this report to the main office in Knoxville at the end of each day's business, and the reports are tabulated in the general accounting department. Accounts payable, the general ledger and payroll, for all stores, are also handled in the general accounting office on three Burroughs typewriter accounting machines.

We number our 3 x 5 credit information cards and use them as a numerical crossfile for our alphabetical ledger filing system. For follow-ups on accounts each ledger card has a small colored metal tab affixed to it. Weekly payment accounts are followed up three times a month. If an overdue notice must be sent, an additional tab is affixed to the card marking it for seven-day follow-up. Additional follow-ups are handled similarly.

We feel that we now have an excellent installment accounting system at Sterchi's stores. This system with the Sensimatic accounting machine is ideal for our type of operation. The machines make it possible to give faster customer service. They also permit more efficiency and accuracy, with no failure to post payments or posting to the wrong account and eliminate the confusion we experienced previously in handling the installment accounts.

In order to say "It costs less at Sterchis" we have to make sure that it costs less for Sterchis to operate, so the savings can be passed on in the form of lower prices. So our installment accounting system makes a major contribution to our merchandising program and it follows Mr. Sterchi's original philosophy closely by helping to make it easier to buy at Sterchis. ★★★



The ledger sheet and carbon journal, shown on the left, are prepared simultaneously with the customer's receipt book on the right. The temporary receipt, above right, is issued when the customer forgets to bring or mail in his passbook. The picture on the right shows the credit office of the Knoxville store, showing the cashier at the Burroughs Sensimatic accounting machine.

Flexibility With Safety

RALPH L. ELLIOTT, ***General Auditor and Assistant Secretary,*** **Pacific Finance Corporation, Los Angeles, California**

WE HAVE as many as three or more steps in our handling of past-due accounts, with the record-keeping for all of them processed in a single operation. That is just one instance of the operating benefits we are attaining through the use of a simplified visible system of handling accounts receivable. But when even so incidental a saving is multiplied by thousands of accounts in each of our 136 branches, it adds up to a most respectable figure. Moreover, to these benefits must be added the following.

1. Around-the-clock point-of-use protection for our valuable accounts receivable records.

2. Elimination of computation errors, speeding of posting, and periodic balancing ledgers through a system of pre-determined balances, showing after each payment. These balances are determined at the time the account cards are prepared.

3. Account cards are not mislaid or misfiled because they never leave their tray while the account remains open.

4. All work units, mounted in pairs on turntables, can be handled without interference by additional clerks when the work load is unusually heavy.

The equipment we use consists of Remington Rand Safe-Kardex units, which incorporate visible records housed in pockets mounted vertically on trays so that they overlap to leave a quarter-inch indexing margin showing for instantaneous review. To the visible record principle we have added a simple system of colors which flag special conditions calling for clerical or executive attention.

We sell one commodity and that is credit dollars, mostly automobile financing. We cannot go into eulogistic rhapsodies about the color, shape, line or printing-press freshness of this item. To stay in business or grow we must sell it with a service as efficient, accurate, and amiable as the next company's, or a little more so.

Facing pockets are assigned to each account and the arrangement is alphabetical. The original papers in each transaction are filed in one pocket, and the basic account card is always maintained in the other section until such time as the account is closed.

Each account is set up in triplicate, on white, buff and pink cards. The original is for the record, the buff duplicate for the field representative where necessary, and the pink triplicate for transmission to the home office. Coupons sent in with payments serve as the posting media.

The buff cards, which are housed in the pockets until such time as they may be employed as dispatch cards for the field staff, are only posted should an account become 15 days past due. This means elimination of considerable posting work, since only the exceptional account calls for this step.

To fit in with the control system of pre-determined balances we handle overpayments as short payments of the ensuing installment. Payments that are short are posted with a block-out rubber stamp and date, with notation in a special column at the left of the cards.

We have a rigid rule that at no time are the accounts to be removed from their pockets while accounts remain active. The tray is the work unit for posting. Should there be need for reference to a particular card somewhere else in the office, the whole tray is removed. This means it comes back faster, and that there is no mauling,

These safe Kardex cabinets are for point-of-use protection of accounts receivable records.

Our Credit Is a Safety Help

R. H. SAEGER, *Director of Credit Sales,* Dean Phipps Stores, Scranton, Pennsylvania

NOT TOO MANY years ago, a person owning an automobile was considered a plutocrat. Today, America rolls on wheels. Very few people do without an automobile. In fact, it is a necessity.

In our type of business, chain automotive stores, we have learned that America rolls on wheels but we also know each of these wheels rides on a tire. Today cars are speedier, weight has been increased, and traffic has multiplied. From outward appearance, tires are still black and round. But, the inside construction of the tire has kept pace with the increased need for safety and wear. We also know that automobile owners today have made the car a second home. Consequently, their pride in appearance and desire for extra comfort have increased. For this we provide auto radios, fog lights, seat covers and thousands of other items.

Knowledge of the fact that your tires are becoming dangerously worn out must be coupled with the ability to pay cash for these items. This cold fact would still face the average family man today if the selling and merchandising methods in our stores had not changed from years ago. Fortunately, operators of chain automobile stores have improved their selling methods and are now merchandising their stores with quality merchandise at low prices. Many of these operators, including my company, also realize they must enable the average office worker, factory worker, and farmer to buy these

(Turn to "Safety Help," page 27.)

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shuffling, or misplacing of cards.

A single typing produces (in quadruplicate) all forms likely to be required for handling past-due control procedures. These are done with interleaved spot carbons, and again the color of the form itself serves an additional control purpose. Notice forms are typed when an account becomes five days past due. One form is mailed immediately, the rest inserted in the pocket with the green copy uppermost. This leaves a green band showing in the visible portion of the indexing margin as a signal. A glance at the panel shows, by this green "flagging," just which accounts are past due five to ten days.

Should a payment come in within this period, the three remaining notice copies are removed and destroyed. If not, the second or green copy is mailed on the tenth day of delinquency. In the event this does not bring action between the tenth and fifteenth days of delinquency the third (white) copy goes to Collection for action. With it goes the buff account card, brought up to date so that the department and its field representative have their complete record.

When the white notice form and buff field card go to Collection, the fourth copy (pink) remains in the pocket and serves as a signal that the account is receiving special handling. At such time as the account is again in order the buff card is returned to the pocket, not to be processed again unless there is a similar lapse.

This Kardex technique of control that employs point-of-use record protection, plus visibility and color to simplify posting and review, is, in my opinion, the most desirable ledger system for the handling of installment accounts in a widespread operation such as ours. The fifth largest finance company in the United States, Pacific Finance Corporation, has its 136 offices stretching all the way from Washington in the Northwest to Texas and Oklahoma in the Southwest and through Illinois, Missouri, Wisconsin, Michigan, Indiana and Ohio in the Midwest. In addition to automobile financing we have two rapidly growing insurance companies and a growing consumer loan division. ★★★

STATEMENT OF THE OWNERSHIP, MANAGEMENT, AND CIRCULATION REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233)

Of The CREDIT WORLD, published monthly at St. Louis, Mo., for October 1, 1952.

1. The names and addresses of the publishers, editor, managing editor, and business managers are:

Publisher, National Retail Credit Association..............St. Louis, Mo.
Editor, Lindley S. Crowder..............St. Louis, Mo.
Managing Editor, Arthur H. Hert..............St. Louis, Mo.
Business Manager, E. E. Hannefin..............St. Louis, Mo.

2. That the owner is: National Retail Credit Association, 375 Jackson Ave., St. Louis 5, Mo.; O. Willard Frieberg, President, American Trust Co., San Francisco, Calif.; Henry C. Alexander, First Vice-President, Belk Brothers Co., Charlotte, N. C.; Kaa F. Blue, Second Vice-President, Foundation Plan, Inc., New Orleans, La., L. S. Crowder, General Manager-Treasurer, 375 Jackson Ave., St. Louis 5, Mo.; and Arthur H. Hert, Secretary, 375 Jackson Ave., St. Louis 5, Mo. No stock. Official organ of the National Retail Credit Association.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages or other securities are: None.

L. S. CROWDER, Editor.

Sworn to and subscribed before me this 19th day of September, 1952.

Mary E. Riordan.

(My commission expires May 18, 1953.)

State Regulation of Instalment Selling

WALLACE P. MORS, *Director*, Bureau of Business Research, Western Reserve University, Cleveland, Ohio

A GROWING number of states have begun to regulate instalment selling in the last 15 years. This development has proceeded without the fanfare which has accompanied the goings and comings of Regulation W. Yet it is far-reaching in its effects and needs to be better known. The highlights of the state-control movement are briefly reviewed here.

Cash transactions take place and are over. Instalment credit transactions extend over a period of time varying from several months to several years. During this time many things can happen. An instalment buyer loses his job and is unable to make any more payments. What happens to the television set he has pledged as security? A seller moves and fails to let the buyer know his new address. This causes the buyer to be late with his payment. Is he subject to a delinquency charge? A buyer suffers an accident and loses a week's pay. He misses one instalment payment but is able and willing to make subsequent payments. What are his rights?

None of these things can be foreseen when the credit is advanced. How to handle them, if they do occur, must be provided for ahead of time. As a result contracts are long and complex. Most consumers fail to read them. Contracts are drawn up by the seller and reflect his point of view. This is well and good if the seller is ethical. If not, the consumer may find himself in an unenviable position.

Can credit users be educated to look after themselves? Perhaps, yes, in the long, long run; certainly, no, in the short run. When it comes to money matters consumers seem to have a "scared rabbit" complex. If their need for money is urgent they are in a poor position to bargain. Even when buying goods, they are inclined to accept whatever terms are offered. There are several added reasons for this. Credit is usually only a small part of the total transaction. Consumers are usually confident they will be able to fulfill their commitments on schedule. Therefore they do not worry too much about the fine print in the contract until something goes wrong. Then it may be too late.

A number of states have set up legislative committees in recent years to investigate various phases of instalment selling. As I have shown at length in an article in the *Journal of Business*, these committees have found the following to be true: Most sellers write fair but strict contracts and enforce them rigidly only when required to do so by questionable action on the part of the buyer. A minority take unfair advantage of the buyer. They do this by inserting unfair provisions in contracts and enforcing these provisions to the letter of the law. Ethical sellers as well as consumers require protection through state action. This protection needs to cover all important aspects of the seller-buyer contractual relationship. Each of the sections below covers one or more of these aspects.

Thirteen states now have laws which govern instalment selling. Seven cover all retail instalment transactions—Connecticut, Indiana, Maryland, Massachusetts, New Jersey, New York and Ohio. Six are limited to the instalment selling of motor vehicles—California, Colorado, Maine, Michigan, Pennsylvania and Wisconsin. Virginia needs to be added to the latter group. It has no special law but controls certain aspects of instalment selling by administrative action. This action is based on general powers contained in the state's motor vehicle law. The 13 laws vary considerably. Some of the more important variations are covered in the sections which follow.

When a consumer buys an automobile or other commodity on the instalment plan he should know the dollar cost of the credit. This dollar cost is the difference between the *true* cash price of an article and its credit price. It is not always an easy figure to determine. Retailers have different price policies. Some stores quote credit prices only, others quote cash prices only, and still others quote both cash and credit prices. Stores with credit prices only may advertise that they make no interest or carrying charges. What they mean by this, of course, is that carrying or financing charges are included in the price of the article.

All of the 13 states mentioned above help the instalment buyer here. They require instalment sellers[1] to disclose the cash price and the carrrying charges separately. By cash price these states mean the price which applies to a cash buyer. Additional states are considering similar legislation.

Instalment sale transactions tend to be complicated. They often include cash down payments, trade-in allowances, insurance charges, financing charges, and other charges. Insurance alone is far from simple. Instalment sales of automobiles frequently include personal liability, property damage and collision insurance. Then there are credit life insurance and credit health and accident insurance. With the first the instalment contract becomes paid up if the buyer dies. With the second his current payments are paid by the insurance company if he is disabled or sick for an extended period before completing his instalment payments. This type of insurance is relatively new and is being pushed by many instalment sellers and financing agencies.

It is important that instalment buyers be able to see all these items separately. State legislative committees as well as the Federal Trade Commission have investigated this problem in recent years. Their findings are: (1) the majority of instalment sellers report these items separately, a minority do not, (2) when the items are combined, abuses often result, and (3) such abuses are unfair both to instalment buyers and to ethical instalment sellers.

The fourteen states referred to above have taken steps to correct this situation. They require instalment sellers

[1]As a general rule the laws also apply to financing agencies which buy instalment contracts from sellers. To simplify exposition the term "financing agencies" is not repeated in the text except where necessary on grounds of clarity.

to give the instalment buyer a written contract which lists these items separately. The Federal Trade Commission advocates a similar requirement in its code of fair practices covering instalment selling of automobiles. Following is an example of such a contract:

Item		*Dollars*
Cash price (1952 model automobile)		$2,225
Down payment:		
Trade-in allowance on used car	$800	
Cash	200	1,000
Unpaid balance of cash price		$1,225
Insurance:		
Personal liability	$ 60	
Property damage	10	
Collision	90	
Credit life and credit health and accident	15	175
Principal or unpaid balance		$1,400
Financing charge		84
Total unpaid balance		$1,484
Number of monthly instalment payments		12
Amount of each monthly instalment payment		$ 123.67

With this information the instalment buyer knows directly the dollar cost of credit. He can, if he wishes, *estimate* the interest rate he is paying by the following simple procedure. First, determine the discount rate by dividing the finance charge by the principal borrowed. In the above example this is $84: $1,484 or 6 per cent. (Sellers determine the finance charge by reversing this process, i.e., by multiplying the principal balance by a discount rate.) Second, double the discount rate to get the interest rate. In this case 12 per cent. The doubling procedure can be justified somewhat as follows. Taking the above example, the buyer borrowed $1,400. Since he pays it back in instalments he has, on a yearly basis, effective use of only about half that amount. Because the effective principal is halved by instalment payments, the actual rate is about double the quoted or discount rate. These points are developed in greater detail in my forthcoming work, *Consumer Credit Facts for You.*

The information in the example above also enables the instalment buyer to compare the insurance charges he is paying with standard insurance rates. Standard rates exist in all of the types of insurance mentioned except credit life and credit health and accident insurance.

Five states set a maximum limit on finance charges. Three of them do so by specifying the maximum *discount* rate which sellers may apply to the principal balance in computing the finance charge. Michigan and Pennsylvania have the following maximum discount rates: 6 per cent a year on new cars; 9 per cent a year on used cars not over two years old; and 12 per cent a year on used cars over two years old. California's law is also limited to motor vehicles and allows a maximum of 1 per cent a month times the number of months in the contract. This maximum applies uniformly to all types of motor vehicles.

When translated into a common denominator these laws give widely varying maximum charges. The effective maximum annual interest rates on 12 month contracts covering new cars vary from 11.5 per cent in Michigan and Pennsylvania to 24 per cent in California. The corresponding range for used cars under two years is 17.5 to 24 per cent. All three states have a 24 per cent top on 12 month contracts for cars over two years old.

The other two states which set maximum finance charges are Indiana and Ohio. Both laws cover all types of retail instalment transactions. Both use a somewhat more complicated method of setting maximum finance charges than the other three states. Indiana has four classifications each with a different maximum. Three of the classifications parallel those of Michigan and Pennsylvania; the fourth includes instalment sales of all commodities other than automobiles. Indiana's maximum for each category is the sum of two parts. The first is a discount rate applied to the original principal balance and varies from 2 to 5 per cent per year. The second is a simple monthly interest on the declining principal balance as payments are made and varies from $1\frac{1}{4}$ to 2.3 per cent a month. Ohio has one maximum for all instalment transitions as follows: $8 per year for each $100 of principal balance plus 50 cents a month on the first $50 of the principal balance plus 25 cents a month on the next $50 units of the principal balance.

The effective maximum annual rates on a 12 month contract in Indiana are: 20 per cent on new cars, 31 per cent on used cars under two years old, 43 per cent on used cars over two years old, and 29 per cent on other commodities. Ohio's effective maximum rates vary with the amount of credit used. The rates for several representative amounts are: 18.5 per cent for credit of $1,450, 22 per cent for credit of $700 and 31 per cent for credit of $250. The amounts chosen are typical of motor vehicle transactions in the postwar years.

Further experience is needed to determine answers to several questions. Are these wide variations in maximums necessary or desirable? Should instalment transactions be broken into several classifications in setting maximums or is one over-all classification better? What method or methods of setting maximums are the most satisfactory from the viewpoints of workability and giving greatest protection to instalment buyers?

Form of Controlling Finance Charges

A weaker form of controlling finance charges is being tried in Colorado, Connecticut, New Jersey and Wisconsin. It consists of requiring instalment sellers and/or financing agencies to file discount rate charts with state supervisory authorities. The rates which each company files become the maximums which that company may charge. Experience to date tentatively indicates that this form of regulation is not satisfactory. Further experience is necessary to give a more definitive answer.

Most instalment sellers do not have enough capital to carry their own instalment contracts. They turn to instalment sale finance companies and banks for aid. These agencies take over the contracts, pay the seller and collect instalment payments from the buyer.

Finance companies and banks can afford to engage in financing or retail instalment sales only if interest or financing rates are high enough to cover costs and allow a reasonable profit margin. But how can instalment sellers know what these rates are? Financing agencies provide instalment sellers with rate charts. Sellers use these charts as guides in determining what rates to charge instalment buyers. The rates on the charts are discount rates. Two problems arise at this point. Both are of vital concern to consumers.

Individual finance companies and banks actively compete for retail dealer business. They offer the dealer a number of inducements. One of these consists in shar-

ing the finance charge with the dealer. The dealer's share is called the "kickback." A certain amount of sharing seems reasonable. In addition to promoting business from instalment buyers, the dealer performs several other functions for financing agencies. He does credit investigation work, makes out instalment contracts and stands ready to re-condition and sell repossessed merchandise.

Legislative committees have found that competitive pressures sometimes push "kickbacks" to unreasonably high levels. These same committees have found that a minority of instalment sellers make an additional gain. They do this by charging rates above rate chart levels. This excess, or "pack" as it is called, goes entirely to the seller. Financing agencies turn it over to him as they collect it from consumers. Since the "pack" is an integral part of the financing charge, consumers are usually unaware of its existence. "Packing" is, of course, unwarranted; the seller is getting something for which he renders no service in return. The Federal Trade Commission considers it an unfair trade practice.

Competitive pressures make it impossible for any one financing agency to eliminate "packing" and keep "kickbacks" within reasonable limits. Collective action by financing agences would represent a violation of federal antitrust laws. Four states—Indiana, Michigan, Ohio and Wisconsin—are now attempting to correct the situation through legislation. They set the maximum "kickback" which financing agencies may pay. This also eliminates "packing."

Some financing agencies give sellers a portion of the insurance premiums on insurance which sellers write in connection with instalment sales. These agencies take the position that this payment should not be considered part of the "kickback." When Indiana and Wisconsin both objected to this interpretation, a financing agency filed suit in each state. The financing agency won a lower court suit in Indiana; the verdict is now on appeal to a higher court. In Wisconsin the state won decisions from a lower court, State Supreme Court, and U. S. Supreme Court. A number of states are trying to stop dealers from getting part or all of the insurance premium by refusing to grant them licenses to sell insurance. The whole problem is still in a state of flux and has so many complex angles that it warrants an article in itself.

Instalment buyers who fail to make payments on time are generally subject to delinquency charges. Legislative committees agree that the buyer should know what the delinquency charge will be *when he signs the contract*. Massachusetts requires that the seller write it into the contract. Seven states go further and set the maximum delinquency charge by law. They are: Colorado, Connecticut, Maryland, New Jersey, Ohio, Pennsylvania and Wisconsin. Maximums are either flat dollar amounts or, more usually, so many cents for each dollar which is delinquent. A few states increase the maximum as the delinquency grows older. Legislative committees have found that some sellers rely on technicalities to increase their revenue from delinquency charges. Six states get at this problem in two ways—defining carefully what a delinquency is and allowing grace periods from 5 to 10 days. The six are those mentioned several sentences above excluding Wisconsin.

The discount method is used in most retail instalment transactions. In essence it requires the buyer to pay the finance charge in advance. If he pays his debt in full ahead of schedule he is entitled to a refund of part of the finance charge. This is the prepayment refund. Trade associations of banks, sales finance companies, and retailers all encourage their members to make prepayment refunds. Nine states now make refunds mandatory: California, Colorado, Connecticut, Indiana, Maryland, New Jersey, Ohio, Pennsylvania and Wisconsin.

All nine specify the method of computing refunds, usually the "sum of the digits" method so called. This method recognizes that more interest accrues in the early months of a contract when the principal is large than in later months when the principal is small. Thus the earlier the prepayment the greater proportionally is the prepayment refund. One of the costs of extending credit is investigation. The seller is out this cost whether the buyer prepays or not. States usually recognize this by allowing sellers to keep an amount equivalent to this cost in computing prepayment refunds. The amount varies from $10 to $25.

Instalment buyers are often required to pledge personal property as security for their credit, usually automobiles or household belongings. The buyer turns over a chattel motgage or its equivalent to the seller covering the property to be pledged. If he falls down on his contract in any way, the seller has the right to take possession of the property. This is a serious step, one which is often embarrassing to the buyer. It may, however, be necessary to prevent the seller from incurring heavy losses. Fair practice is needed on both sides. What is fair practice? The best answer is found in the laws of the four states—Indiana, New Jersey, New York and Wisconsin—which have provisions patterned after those in the Uniform Conditional Sales Act. With some variation, these laws cover each of the four broad aspects of repossession. They are:

1. Right and method of repossession—sellers are required to give buyers a written notice of intention to repossess, to wait a given time before repossessing and to do so by legal process. The buyer must continue to take reasonable care of the property and to keep it within legal reach of the seller.

2. Period of redemption—sellers are required to hold the property (unless perishable) for a given period after repossession. During this period, buyers may pay their debt plus repossession costs and get the property back. Some states count the redemption period as starting from the day the seller notifies the buyer of intention to repossess.

3. Resale after repossession—the problem here is to set up a procedure which ensures that the goods will be sold for the highest possible price. Some laws accomplish this by requiring the seller to hold a public sale, properly advertised in advance. Other laws give the seller an option. He can hold a public sale or not as he chooses. If he decides not to, the unpaid portion of the buyer's debt is cancelled. Sellers may bid at the resale. Some states subject goods which sellers buy to valuation by a court.

4. Proceeds of resale—they are usually allocated successively as follows: expenses of repossession and resale, expenses of retaking and storing the property and

amount due under the contract. Any sum remaining goes to the buyer. Any deficiency—the deficiency judgment so called—must be paid in by the buyer.

Some laws have two repossession procedures. One covers contracts in which the buyer has paid over half of what he owes. The other covers contracts in which he has paid less than half of what he owes. Repossession procedure is obviously complex. The average buyer is ill equipped to master it by himself. Only a carefully drawn law can ensure procedures which are fair to both sides. Five additional states which cover one or more aspects of repossession procedure in their laws are Connecticut, Maryland, Massachusetts, Michigan and Pennsylvania.

The nature of add-on contracts can best be shown by example. On March 1, Mr. Jones buys a refrigerator on the instalment plan. Including the finance charge he owes the instalment seller $360 which he agrees to pay in twelve monthly payments of $30 each. The seller takes a chattel mortgage on the refrigerator. On August 1, Mr. Jones buys a washing machine on instalments from the same seller. The seller adds on the washing machine sale to the refrigerator contract. It is now an add-on contract. In the hands of unfair sellers add-on contracts give rise to many abuses—switching payments to cause delinquencies, repossessing goods which have been fully paid for, building up refinancing fees. Connecticut, Massachusetts, New Jersey and Wisconsin now prohibit add-on contracts. Maryland and New York restrict their use rather severely. Legislative committees generally favor outright prohibition.

Requirements for Instalment Contracts

State laws generally require instalment contracts to be in writing. To be enforceable, a growing number of states have two additional requirements. Both parties or at least the buyer must sign the contract. The contract must contain the whole agreement prior to execution and/or must contain no blank spaces to be filled in later.

We have already stated that most credit users do not read their contracts. This makes it easy for the seller to insert provisions which are not fair to the buyer. Examples of such provisions are: (1) confession of judgment by the borrower, (2) grant of power of attorney by buyer to seller, (3) waiver of seller's liability for acts of his agents, (4) right of unlawful entry onto buyer's premises by seller, and (5) right of seller to call whole contract due *merely* because he feels insecure.

The last two provisions, if strictly enforced, may get the buyer into trouble whether he violates the contract or not. Legislative committees generally recommend that these and similar provisions be prohibited by law. A growing number of states are following these recommendations.

On the other hand there are some provisions which legislative committees feel should be included in the contract. Examples are provisions which (1) set forth the buyer's rights and remedies, (2) set up procedures to investigate buyer complaints, and (3) require the seller to give the buyer a copy of the original contract, a receipt for each payment and a final receipt stating the contract is paid in full. A number of states now require that such provisions be included in instalment contracts.

Five states—Connecticut, Indiana, Maryland, New Jersey and Pennsylvania—set maximum refinancing charges. Maryland and Wisconsin prohibit unethical advertising. Determination of what is unethical is left largely to the discretion of sellers and state supervisory authorities. The problems here are similar to problems of advertising in general.

Maryland, Pennsylvania and Wisconsin prohibit "balloon" contracts. These are instalment contracts which provide for uneven monthly payments. Under the usual arrangement, the last monthly payment "balloons," i.e., rises much higher than the previous payments. Experience shows that most borrowers cannot meet the final payment and need re-financing. There is considerable evidence that some sellers know this when the contract is made and take advantage of the situation. Except for restrictions on "balloon" contracts, states have avoided regulating credit terms (down payments and maturities). This, of course, is the hotly contested area covered by the Federal Government's Regulation W.

All of the 13 laws now in existence provide for supervisory bodies to administer the laws. In general these bodies have very limited powers. Only Michigan, Pennsylvania and Wisconsin require both sellers and financing agencies to secure licenses. Colorado, Connecticut, Indiana, Maine, Maryland and New Jersey require licenses only of financing agencies. The other five have no licensing requirements at all. Experience shows that a licensing requirement is one of the best means of implementing this type of legislation.

Most of the supervisory authorities have very limited authority. Only Indiana requires all licensees to make annual reports. Maine prohibits administrators from inspecting records of sellers and financing agencies. Except for Michigan and Pennsylvania, the other states permit supervisory bodies to inspect records only upon and in connection with specific written complaints by instalment buyers. All of the laws contain penalties for violations.

It may be asked, What functions should a supervisory body have the power to perform? Judging from experience in the small loan field these functions are:

1. License, examine, and receive periodic reports from financing agencies and others extending credit.
2. Set up procedures for the effective carrying out of the law.
3. Interpret those points in the law on which questions are raised.
4. Set up machinery for hearing and investigating complaints of credit users and others.
5. Issue periodic reports to the public.
6. Make recommendations for legislative improvements.
7. Prosecute those who break the law.

State regulation of instalment selling has one major objective: to ensure that instalment buyers receive fair contracts. Thirteen states have enacted legislation since 1935 and more are considering similar action each year. The American Finance Conference, a trade association of sales finance companies, has prepared a model bill. Many sellers are on record as favoring some kind of legislation. Thus the principle of legislation at the state level is well established.

Although many of the laws passed to date are far from perfect they have improved conditions materially. The task for the future is to use the experience with existing laws to weed out undesirable features and to improve desirable ones further. ★★★

The Recordak Triplex Microfilmer records documents down one side of the film, up the other—fronts, or fronts and backs, consecutively. High reduction ratio—up to 35-1. Accommodates automatic feeder and auxiliary film units for recording on the full film width in varying reductions. Prices—including one film unit: Purchase, $2900; Rental, $60 per mo., including film reader.

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A complete line of precision microfilmers to meet all requirements at lowest cost

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No one microfilmer can be called the "most economical" for every retail store.

Requirements vary much too much. Consequently, a microfilmer which is ideal for one store could be an unwise investment down the street.

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It's easy to judge which one of these precision microfilmers will give you the lowest operating cost.

Your local Recordak representative will give you the complete side-by-side picture of the Recordak line . . . analyze your microfilming requirements . . . figure *every* detail of cost

The Recordak Commercial Microfilmer is designed for retail stores with medium-size accounts receivable operations. It records the fronts, or the fronts and backs of documents consecutively . . . across the full width of the film. Prices—including one film unit; Purchase, $950 to $1975, depending upon model; Rental, $30-$42.50 per mo., including film reader.

The Recordak Junior Microfilmer is the ideal machine for light requirements. It photographs documents up to 11 x 14 inches instantaneously . . . across full width of film. A film reader is an integral part of this unit. Purchase Price, $1250; Rental Price, $20 per mo.

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you this choice

every way. In short, give you the benefit of Recordak's unmatched experience in meeting the needs of thousands of customers. *All without obligation.*

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CREDIT DEPARTMENT Letters

LEONARD BERRY

WHILE retail credit management is admittedly a specialized field—and because of today's complex economy becoming more so—the manager of credit sales must guard against the ever-present danger of being a specialist only. *Specialist* here meaning one who confines himself to the rigid limits of his specialty.

As we become increasingly involved with over-all store problems, in addition to those necessarily connected with credit and collections, it is important that we develop what might be called a store-wide consciousness.

It has been said of some credit managers, and occasionally with justification, that they saw no further than the credit office. The criticism even adds that those credit managers regarded the credit office as a place apart from the store itself. Happily, these criticisms are seldom justified. However, it is possible to become so immersed in the problems of protective management as to relegate to a minor role the tremendously valuable promotional potentialities that exist in the credit department. The remedy for this overspecialization is to acquire and develop *management* viewpoint in *credit* management.

Credit is no longer a service for the select few, it is an essential part of store operation. It must be closely integrated with all other store activities and objectives.

Credit plans, and the types of credit made available to customers, for example, must be coordinated with general store policy. Here is a great opportunity for the credit executive to demonstrate his grasp of over-all store trends. Yet we know of some stores, bending every effort to wrest needed volume from competitors, still offering only the time-honored monthly charge account. Development and promotion of broader credit plans might well implement the merchandising policy of the store by enabling more customers to buy more goods. Resistance to such innovations, or mere lukewarm acceptance of them, on the part of the credit manager means that he or she is looking at the proposal from the viewpoint of the specialist. Seeing only the problems and not the possibilities.

Newspaper advertising of credit services has been shown to produce powerful results. Space for such credit advertising is often hard to get. Merchandise managers and departmental buyers clamor loud and long for available space and often it must be denied or rationed. Unless the credit executive is prepared to fight for space it is entirely likely that his claims will be ignored by the harassed publicity department. The credit manager possessing a store-wide viewpoint will often be able to produce constructive and convincing arguments for space allotment for credit promotion. He will suggest apt tie-ins with current events or merchandise offerings. The credit specialist, on the other hand, is often inclined to think that he has quite enough trouble as it is without deliberately seeking more.

Another opportunity for the manager of credit sales to show his concept of credit services as a way of increasing customer friendship for the total store is in the use of seasonal and year-end *good-will* letters.

Perhaps no one in the entire store has a better understanding of the value of good-will letters than the credit executive. Certainly he is in the best position to advise management on the form and content of those letters. He is the one executive most capable of determining to whom they should be sent.

The sales-minded credit executive will take the initiative in suggesting to management the best procedure for year-end and seasonal good-will letters. On the other hand, the credit specialist will see only the difficulties involved, and not the immense advantages.

It is in such activities, and in such areas, that the credit sales manager will enlarge his sphere of influence and gain greater recognition.

This Month's Illustrations ⟶

Illustration No. 1. This outstanding "thank you" letter is so worded that it can be used at any time of the year. Customers are invariably gratified when a store takes time to express thanks for loyalty and prompt payment. The Mabley & Carew Company, Cincinnati, Ohio, and Credit Manager C. D. Whisler, are to be congratulated on this procedure.

Illustration No. 2. This is truly a "little" note. It measures $4\frac{1}{2}$ x $2\frac{7}{8}$ inches. We have enlarged it somewhat for publication. This good-will building letter is printed and fits into the envelope used for mailing monthly statements. E. F. Horner, Manager of Credit Sales, Kline's, St. Louis, Missouri, tells us that he has received many commendatory letters and telephone calls from pleased customers.

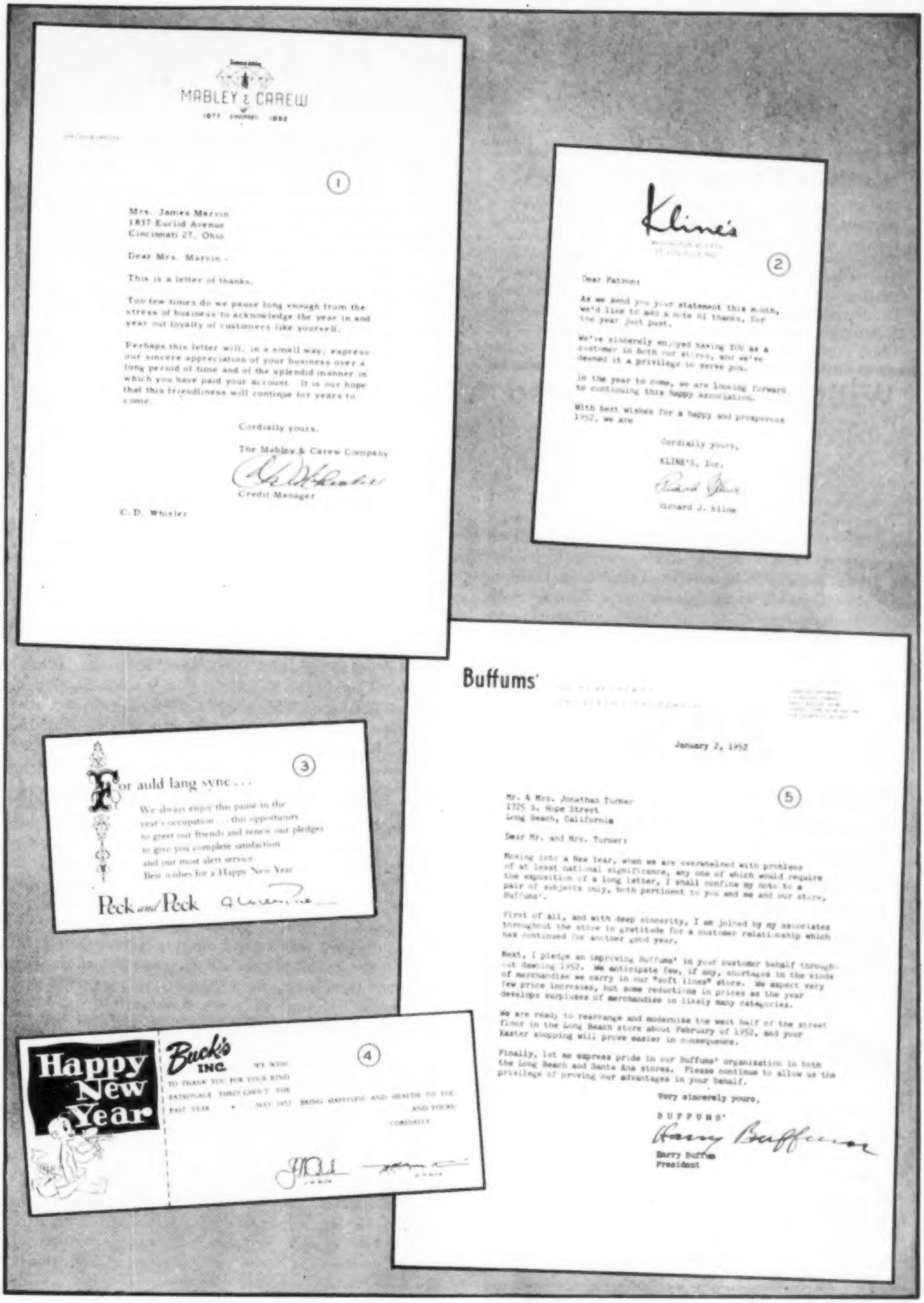
Illustration No. 3. Wish we could show this card in color. The firm name, Peck and Peck, and the "F" in the "For auld lang syne" are in red. Another example of the power of small thoughtfulnesses and courtesies in making business seem less impersonal.

Illustration No. 4. Through the courtesy of Bernice Sharples, Department of Charge Sales, Buck's Inc., Wichita, Kansas, we show this New Year Greeting used by that progressive firm. Again, we wish we could show this in color. It is printed in black and red.

Illustration No. 5. George V. H. Brown, Manager of Credit Sales, Buffums', Long Beach, California, submits this letter used in January, 1952, by his fine firm. The excellence of the letter is obvious. We are grateful for the opportunity of sharing it with you.

* * *

Readers are cordially invited to send to us samples of good-will letters and mailing pieces used by their firms. Your cooperation will be greatly appreciated.



MABLEY & CAREW

1877 CINCINNATI 1952

(1)

Mrs. James Marvin
1837 Euclid Avenue
Cincinnati 27, Ohio

Dear Mrs. Marvin:

This is a letter of thanks.

Too few times do we pause long enough from the stress of business to acknowledge the year in and year out loyalty of customers like yourself.

Perhaps this letter will, in a small way, express our sincere appreciation of your business over a long period of time and of the splendid manner in which you have paid your account. It is our hope that this friendliness will continue for years to come.

Cordially yours,

The Mabley & Carew Company

Credit Manager

C. D. Whisler

Kline's

(2)

Dear Patron:

As we send you your statement this month, we'd like to add a note of thanks, for the year just past.

We've sincerely enjoyed having YOU as a customer in both our stores, and we've deemed it a privilege to serve you.

In the year to come, we are looking forward to continuing this happy association.

With best wishes for a happy and prosperous 1952, we are

Cordially yours,

KLINE'S, Inc.

Richard J. Kline

(3)

For auld lang syne . . .

We always enjoy this pause in the year's occupation . . . this opportunity to greet our friends and renew our pledges to give you complete satisfaction and our most alert service.

Best wishes for a Happy New Year

Peck and Peck

Happy New Year

Buck's INC.

(4)

WE WISH TO THANK YOU FOR YOUR KIND PATRONAGE THROUGHOUT THE PAST YEAR • MAY 1952 BRING HAPPINESS AND HEALTH TO YOU AND YOURS!

CORDIALLY,

Buffums'

January 2, 1952

(5)

Mr. & Mrs. Jonathan Turner
1725 S. Hope Street
Long Beach, California

Dear Mr. and Mrs. Turner:

Moving into a New Year, when we are overwhelmed with problems of at least national significance, any one of which would require the exposition of a long letter, I shall confine my note to a pair of subjects only, both pertinent to you and me and our store, Buffums'.

First of all, and with deep sincerity, I am joined by my associates throughout the store in gratitude for a customer relationship which has continued for another good year.

Next, I pledge an improving Buffums' in your customer behalf throughout dawning 1952. We anticipate few, if any, shortages in the kinds of merchandise we carry in our "soft lines" store. We expect very few price increases, but some reductions in prices as the year develops surpluses of merchandise in likely many categories.

We are ready to rearrange and modernize the west half of the street floor in the Long Beach store about February of 1952, and your Easter shopping will prove easier in consequence.

Finally, let me express pride in our Buffums' organization in both the Long Beach and Santa Ana stores. Please continue to allow us the privilege of proving our advantages in your behalf.

Very sincerely yours,

BUFFUMS'

Harry Buffum
President

CREDIT FLASHES

What Is the Most Important Credit Problem for 1953?

WHAT, in your opinion, will be the most important retail credit problem for 1953? Comments of Credit Executives, Credit Bureau Managers and Management will be published in The CREDIT WORLD. Mail your thoughts, limited to 75 words, to the National Retail Credit Association, 375 Jackson Ave., St. Louis 5, Mo., to reach us not later than December 15, 1952.

William Adams Wanted

William Adams is wanted by Duncan B. Brown, Chief Constable, City of St. Catherines, Ontario, Canada. His aliases are, Joe Lacheau, William Glinski, and William Samborski. He was born July 27, 1922; height 5 feet 9¾ inches; weight 180 pounds; brown eyes; long dark hair, parted on left; dark complexion; sometimes wears a moustache; thick prominent lips; and has been employed as a crane operator, machinist and a salesman in jewelry and patent medicine. It is believed that he is living in the United States in a small community. If any credit bureau has any information on a William Adams after August 1949 please communicate with Constable Brown collect.

Mrs. N. M. MacLeod

Mrs. N. M. MacLeod, wife of N. M. MacLeod, owner of the Credit Bureau of Spokane, Washington, and Secretary of the Spokane Retail Credit Association, died suddenly at her home October 1, 1952. She was born in Lexington, Ky., and after the death of her parents went to Minneapolis to live with relatives. Mr. MacLeod met her in that city and they were married there February 26, 1902. The couple recently celebrated their golden wedding anniversary reception and banquet given by the Retail Credit Association in their honor at which more than 200 were present. They always attended the annual conferences of the N.R.C.A. and the trip to Washington, D. C., this year was made by automobile. En route they visited our National Office. To Mr. MacLeod and his daughter, Mrs. Melvin T. Warrick, the N.R.C.A. extends our deepest sympathy.

George C. Morrison

George C. Morrison, 76, Secretary-Manager, Credit Bureau of Toledo, Toledo, Ohio, died September 26, 1952. Mr. Morrison, a native of Hamilton, Ontario, Canada, came to Toledo in 1902. He became head of the credit bureau in 1922 and also served as secretary of the Toledo Merchants Board from 1932 to 1940. He was founder and first president of the Associated Credit Bureaus of Ohio. He was a member of the Quarter Century Club of the N.R.C.A., Rotary Club, Sanford L. Collins Lodge, F&AM, and the First Church of Christ Scientist. To his two stepsons who survive him, the N.R.C.A. extends its deepest sympathy.

Two Groups Visit Los Angeles Credit Bureau

The Retail Merchants Credit Association of Los Angeles entertained the Educational Group of the Los Angeles Retail Credit Associates, October 8, 1952, in their offices in the Subway Terminal Building, Los Angeles, Calif. The members of the Credit Women's Breakfast Club of Los Angeles were also invited to be present the same evening and the results were most gratifying. About 150 people, all of whom are engaged in the credit profession, were taken on a personally conducted tour by James W. Scott, Assistant General Manager, who explained the operations of the Credit Bureau.

Joyce Howard, Security First National Bank of Los Angeles, the new President of the Credit Women's Breakfast Club, was presented to the group with other officers of the Club for the year 1952-1953. The hope was expressed that a return visit could be made at an early date.

Position Wanted

CREDIT SALES MANAGER with 24 years' experience in retail and mercantile credits and collections; also credit bureau operations. Organized credit department for present employer. Leader in credit association affairs. College graduate. Highest references. Box 11521, The CREDIT WORLD.

Herbert Sears on Collection Board

Herbert P. Sears, Secretary-Manager, Merchants Association of Bakersfield, Bakersfield, Calif., recently began his fourth term on the State Collection Agency Board by appointment of the secretary of the State of California. The over-all task of the board is to regulate activities of collection agencies within the framework set by the legislature. However, the organization is also held responsible for drafting and holding examinations for those wishing licenses to engage in the collection business. The test is mandatory under the law. Last year Mr. Sears was chairman of the board. During that time it disqualified 10.7 per cent of those applying for permits and 43.3 per cent failed the stringent examination. The total number applying was 150. At this time over 450 hold permits to operate collection agencies in the State of California.

Minneapolis Installs Lily F. Person President

The night of September 23, 1952, will always be remembered by the members of the Retail Credit Association of Minneapolis, Minneapolis, Minnesota, as it was on that night that they gathered to pay tribute to Lily F. Person, the first woman president of the association since its founding on July 10, 1904, as she took office. The affair was held at the Golden Valley Country Club with 192 in attendance.

Miss Person was president of the Credit Women's Breakfast Club of Minneapolis in 1937 and president of the Credit Women's Breakfast Clubs of North America in 1941-1942. She has been active in credit work with the Plymouth Fur Company of Minneapolis for the past 26 years.

L. S. Crowder, General Manager-Treasurer, N.R.C.A., represented the National Association at the installation. He gave a beautiful tribute to Miss Person, not only for her leadership locally, but nationally as well. In addition he announced that she had been enrolled as a member of the Quarter Century Club of the N.R.C.A. C. A. Wildes, Secretary-Treasurer of the association, mentioned the many letters and telegrams received from all parts of the country congratulating her on her election to the presidency and commended the association on the wise and well-deserved choice they made.

Shown below is a picture taken at the meeting. Left to right are: L. S. Crowder, Lily F. Person; and L. Allen Hales, Powers Dry Goods Co., immediate past president of the association.

1952-1953 Credit Management Year Book (Credit Management Division, National Retail Dry Goods Association, 100 West 31st Street, New York 1, New York, 333 pages, $6.00 to members, $10.00 to nonmembers). This is the 19th volume of this book, again edited by A. Leonidas Trotta, Manager of the Credit Management Division. Among the many original, practical and profitable time-saving ideas, it also tells: how to increase sales on established accounts; where to find and how to approach new charge customers; how to collect accounts promptly without loss of customer good will; how to measure your operating efficiency; how to select and train credit personnel and reduce turnover; how to become a more successful credit executive; and how to establish work standards and increase productivity. Clarence E. Wolfinger, Credit Manager, Lit Brothers, Philadelphia, Penn., and Past President, National Retail Credit Association, is Chairman, Board of Directors, Credit Management Division, NRDGA.

How to Write a Speech 226 pages, $3.50, and ***Showmanship in Public Speaking*** 246 pages, $3.75 (McGraw-Hill Book Co., 330 West 42nd St., New York 18, N. Y.). Both of these books, by Edward J. Hegarty, should be in the library of every credit executive since almost everyone is called upon, at one time or another, to make a speech.

Sizing Up People (McGraw-Hill Book Co., 330 West 42nd St., New York 18, N. Y., 270 pages, $3.75). This book shows how to size up people, their personality, intelligence and ability. It gives help on determining how people differ; on grading human abilities such as intelligence, mechanical and engineering aptitudes; on estimating trustworthiness, etc. There are countless examples taken from business and industry. The authors are Dr. Donald A. Laird and Eleanor C. Laird.

The Role of the Sales Finance Companies in the American Economy (Commercial Credit Co., 14 Light St., Baltimore 2, Md., 88 pages, free, distribution limited). This book by Dr. Clyde W. Phelps explains the various aspects of the functions performed for the American people by a diversified sales finance company: instalment sales financing, accounts receivable financing, factoring, inventory financing, industrial equipment financing, etc.

Effective Personal Letters (Prentice-Hall, 70 Fifth Ave., New York 11, N. Y., second edition, 390 pages, $4.95). This book by W. H. Butterfield provides a variety of specimen letters for ready reference in simplifying the preparation of personal letters in business. To anyone who would make the most of friendship in business, the many opportunities for cordial personal contacts by letter cannot be overemphasized.

LOCAL ASSOCIATION Activities

Minneapolis, Minnesota

At the annual meeting of the Retail Credit Association, Minneapolis, Minn., the following officers and directors were elected for 1952-1953: President, Lily F. Person, Plymouth Furs; Vice President, William A. Benson, L. S. Donaldson Co.; and Secretary-Treasurer, Carleton A. Wildes, Credit Bureau of Minneapolis. Directors: L. O. Hauge, Midwest Coal & Coke Co.; John J. Tarasar, Northwestern National Bank of Hopkins; W. W. Hill, Northern States Power Co.; Albert W. Schreiner, The Colwell Press; E. M. Larson, Barrington Chevrolet Co.; William F. Streeter, Boutell's; E. L. Swandby, Davies Mortuary Co.; Omar H. Hill, Skelly Oil Co.; J. C. Condon, Twin City Federal Savings & Loan Assn.; and L. Allen Hales, Powers Dry Goods Co.

Pittsburgh, Pennsylvania

At the annual meeting of the Retail Credit Association of Pittsburgh, Pittsburgh, Pennsylvania, the following were elected for 1952-1953: President, D. W. Bollman, Joseph Horne Co.; First Vice President, A. W. Blieszner, *The Pittsburgh Press;* Second Vice President, R. F. Goldman, Hahn Furniture Co.; Third Vice President, Harry J. Wood, Peoples-First National Bank & Trust Co.; Secretary, T. L. Ford, The Credit Bureau; Treasurer, C. G. Kaessner, The May Dept. Stores Co.; and Director, T. McCaffrey, Jr., Thos. McCaffrey Co.

Nashville, Tennessee

The Nashville Retail Credit Association, Nashville, Tennessee, has elected the following officers and directors for the ensuing year: President, Robert C. Huddleston, Commerce Union Bank; First Vice President, Russell B. Davis, Joy Floral Co.; Second Vice President, Joseph E. Torrence, Cain-Sloan Co.; Third Vice President, James E. O'Steen, White Trunk & Bag Co.; Treasurer, Joseph T. Howell, Jr., Third National Bank; Secretary, Ben C. Nance, Credit Bureau of Nashville; and Assistant Secretary, Mrs. Mary W. Lemmer, Credit Bureau of Nashville. Directors: Andrew B. Benedict, Jr., First American National Bank; Charles B. Evins, Nashville Gas Co.; Ray H. Fisher, Mid South Supply Co.; W. Harvey King, Tennessee Adjustment Service; Mary Mammerelli, Fidelity Federal Savings & Loan Association; George L. Marshall, The Sherwin-Williams Co.; Joseph J. Mulloy, Jr., Broadway National Bank; H. N. O'Callahan, First American National Bank; Mrs. Frances W. Teter, Clark Hardware Co.; C. B. Thomson, T. L. Herbert & Sons; E. V. Williams, Collum & Ghertner Co.; and L. L. Wright, Joseph Frank & Son.

District Eleven News

Midyear Board of Directors Meeting

The midyear meeting of the board of directors of District 11 was held at Santa Barbara, Calif., September 27, 1952. Willard Frieberg, President, N.R.C.A., attended in his capacity as honorary member of the board. Fred Train, Credit Bureau of San Diego, general conference chairman for the annual conference of District 11 to be held in San Diego, February 15-17, 1953, gave a complete outline of the plans for the conference. James Dungan, Credit Bureau of Salinas and President, Associated Credit Bureaus of California, was also present to speak for the credit bureaus who will hold their annual meeting jointly with the district. Extensive reports were given by the chairmen of the membership committee and the credit education committee. Much work has been done by the board members and committees and the district is looking forward to a successful year for obtaining new members and furthering credit education.

Alameda County Credit Women Installation

The Credit Women's Breakfast Club of Alameda County, Oakland, Calif., installed the 1952-1953 officers October 14, 1952. The special guest of honor was Frank Batty, past president of the National Retail Credit Association and dean of credit men on the West Coast. The club was honored by having as the installing officer, O. Willard Frieberg, American Trust Company, San Francisco, Calif., President, National Retail Credit Association. The club will be under the competent guidance of the following officers for the coming year: President, Lois Huitt, Bank of Berkeley; Vice President, Toi Goodrich, New Method Finance; Secretary, Faye Abel, Stone-Pierce; Treasurer, Marion Long, Bank of Commerce; Corresponding Secretary, Elinore Wallace, Sequoia Motors; and Financial Secretary, Evelyn McNeil, Burke Jewelers.

Long Beach Credit Women Elect New Officers

The new officers of the Long Beach Credit Women's Breakfast Club, Long Beach, Calif., installed October 9, 1952, are: President, Anne Phillips, Bank of America; Vice President, Lois Trimble, Personal Finance; Secretary, Anita McGill, Harris & Frank; and Treasurer, Anne Mathews, Gene's Women's Apparel. Directors: Carmelita Duffy, Gordon Alexander Loans; Ine Nelson, Dohrmann's; and Velma Jones, Dobyn's.

Credit Education Classes at Long Beach

Consumer Credit Education Classes sponsored by the Long Beach Credit Club in cooperation with the Long Beach Credit Association, Long Beach, Calif., were held recently. Six classes were held at the offices of the Credit Association and the seventh was an open house at the Association. William H. Kleese served as chairman with Karl Gibbs, co-chairman.

The Factbilt ROUND TABLE

A page devoted to improving the mutual cooperative relationship between members of the National Retail Credit Association and the Associated Credit Bureaus of America

HAROLD A. WALLACE

"Either Be a Collector or See One"

ONE of our ACBofA Collection Service Division members used this title in a recent speech, and I was sufficiently interested to write him and ask if I might use it for some thoughts for the "Factbilt Roundtable." It seems to me that this sentence, "Either be a collector or see one," defines the problem of the credit granter with the ever present "slow" customer.

Either you must be a collector yourself, and a good one, or you must see one . . . see a good one. When I say that you must be a collector yourself, I mean that you must have set up in your office, or your firm, all the proper routines for the effective collection of accounts, as well as a competent collection staff to carry them out.

You must set up a procedure to "age" your accounts; you must have the same types of tools that an organized collection service has: the collection letters, skip-tracing methods, proved collection techniques, experienced personnel, etc. The difficulty of maintaining all this is one of the reasons that collection losses today are rising.

Let's say, however, that in spite of the difficulties involved in carrying out an effective collection policy, you decide that you will give the necessary attention to "slow" accounts. What must you do?

You need, first, methods and a staff to carry them out. The difficulty in finding experienced personnel makes the staff problem paramount. The inexperienced collector is often worse than no collector at all. He himself can be an expense to you and not only fail to collect, but actually handle accounts in such a manner that no one else can collect them either!

Necessity For Aging Accounts

After you select your people carefully, setting up the proper procedures is equally important. I know that I do not need to go into a discussion of methods with NRCA members. You are probably even more aware than I of the necessity of "aging" your accounts, of maintaining a group of tested letters for contacting debtors, of proper follow-up and a gradual (or in some cases rapid) change in tone should your methods bring no results. The debtor must be convinced that you intend to be paid.

To do more business profitably, and to help locate "lost customers," always take a complete credit application from all new accounts and check these through your Credit Bureau.

You can carry out these things yourself, up to a point, but beyond that point it takes a great deal more time and attention than your office can afford. Also, the longer you wait to turn over accounts, the less chance there is of recovery, as figures from the U. S. Department of Commerce show.

Many credit granters today feel that their time may be spent more profitably in attracting new customers and making more sales to present customers.

On the other hand, what are the advantages of turning your accounts over to an outside collection service? You have the assurance that trained people will be handling your customer—after all, the rehabilitated debtor can still be a good cash customer. You want to retain his good will.

Retaining Customer's Good Will

Besides retaining your customer's good will, the local member of the Collection Service Division has the equipment and procedures set up to process accounts in the most efficient manner. It is because of this fact that the office can work on a "no charge unless we collect" basis. The likelihood of collecting the account and receiving the proper commission is very strong—enough to compensate for those cases where even the collection service cannot persuade the debtor that he must pay.

Finally, in turning your accounts over to an outside collection service, you have the advantage of the local Collection Service Division member's close relationship with our more than 1,000 members all over North America. Should your debtor move to a different locality, your account can be forwarded to the CSD member nearest his new address. You can be sure that he will handle your customer with the same tactful efficiency as the CSD member in your community.

You may be operating a very efficient collection department for your firm. Or, perhaps you haven't been too successful with collections in the past but you've decided to really go into it seriously—to *be* a collector. By continuous effort you may succeed in keeping your collection losses at a minimum.

If, on the other hand, you decide to *see* a collector, you'll find that a continuous policy of turning accounts over will bring the best results. Make it a part of your procedure to turn all accounts over after a certain age.

By making a determined effort to increase your credit sales, and by adhering to one of these two alternatives, you assure yourself of continued success as a credit granter. ★★★

Items of Interest From the Nation's Capital

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Important Credit Reporting Decision.—Final step in the case of Watwood v. Stone's Mercantile Agency occurred October 13, 1952, when the United States Supreme Court refused a petition to review the case. Thus this case assumed increased stature as a precedent among a considerable number of other federal and state court cases. These cases have held that a credit or other reporting agency's confidential report, in good faith, to subscribers is privileged. The exception or qualification to such privilege, as stated by the Circuit Court of Appeals in the Stone's Mercantile case, is where a report "is made in bad faith or for an improper purpose," when liability may follow. The rule as set forth in one of the prior federal cases is stated this way: "Plaintiff to recover for damages caused by defamation in these privileged reports must prove the publication was made from express malice."

The precise facts in the Stone's Mercantile Agency case were summarized by the Appeals Court as follows: "Appellant's second amended complaint for libel includes substantially the following statements: Appellee Mercantile Agency sent to a subscriber a credit report about appellant that had been read by several members of appellee's staff. It contained this language: 'Watwood, Miss Susie V. . . . claims to be single . . . Miss Watwood is reported to have one child attending school. According to information the child's name is Gwen Cohen . . . D. C. Civil Suit, 3/27/42: Susie V. Watwood v. Jacob M. Cohen for damages for breach of promise to marry, $50,000. D. C. Civil Order, 11/4/42: Susie V. Watwood v. Jacob M. Cohen, order for dismissal.' "

This language according to the complaint "implies that appellant is the mother of a child born out of wedlock but the facts are that appellant is married to Jacob M. Cohen and is not a mother. She uses her maiden name in business." The Court of Appeals commented: "The harm that such statements occasionally do to applicants for credit is believed to be small in relation to the benefits that subscribers derive from frank reports. Since marital status and number of dependents bear on credit, the qualified privilege is broad enough to cover the statements in appellee's report." The fact that the report was handled by more than one of the reporting agency's employees in the ordinary course of its business does not destroy the privilege.

Actions in Other Cases.—Another case of importance which the Supreme Court did agree to review (as forecast in the October issue), is the case of Automatic Canteen Company v. Federal Trade Commission. The precise point involved in this case is whether the Robinson-Patman Act places the same burden of proving cost justification upon the buyer as it does upon the seller. It is the first buyer's case which has arisen under applicable provisions of the Robinson-Patman Act.

The Fall Term of the Supreme Court, as usual, opened the first Monday in October, with admissions of attorneys to practice before the Court, and on the following Monday the Court announced its orders agreeing to review a number of important cases, but refusing review in a far larger group of lesser cases. Among those accepted were a group of several cases involving racial segregation in public schools; the recently enacted gambler's stamp tax; provisions of the Taft-Hartley Act; and several cases involving the anti-trust laws and trade regulation.

Where the Consumer's Dollar Goes.—The dollar will not buy much any more, but the question as to just where it goes is not so simply stated. Pursuant to Presidential request, Chairman James Meade of the Federal Trade Commission announced public hearings soon to determine just what part of the dollar goes for labor, profits, material, distribution costs, etc. Interested persons and organizations representing business, labor, farmers, consumers and other groups will be allowed to present views orally or in written statements.

Date of commencement of hearings has not yet been indicated, and in fact inquiry reveals that as of this time the exact scope of the hearings and methods of procedure are not fully determined. The initial effort, therefore, will be to decide by facts developed at first sessions of the hearing the need for proceeding, those who might be interested in presenting evidence and views and to define more exactly the purposes to be served, and the best ways and means of developing the facts. The project is large, with no substantial funds to carry it to conclusion at the present time. However, it is indicated that initial sessions might be started about the middle of November, with a view of going to Congress later for necessary funds.

What Next on Credit Controls.—On October 13, 1952, the press carried stories appearing to indicate that some sort of a definite program for new controls on a "standby" basis had been formulated by economics stabilizer Roger L. Putnam. A closer look, however, based upon pertinent inquiry indicates that no definite proposals at all have been formulated. On the other hand, officials are faced with the problem that when the present controls law expires in April 1953, further recommendations will have to be made to Congress. One of the thoughts, rather than any definite proposal, was this matter of so-called "standby" price and wage provisions, which could be evoked in case they are needed.

Collection Scoreboard

Compiled by the Research Division

September, 1952 . . . . September, 1951

District	Cities	Department Stores (Open Accounts)						Department Stores (Installment Accounts)						Women's Specialty Stores						Men's Clothing Stores					
		1952			1951			1952			1951			1952			1951			1952			1951		
		AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
1	Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1	Lynn, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1	Providence, R. I.	—	—	—	50.1	55.2	45.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1	Springfield, Mass.	59.9	62.2	57.7	59.9	62.6	57.2	21.2	23.2	19.3	26.6	33.3	20.0	—	58.6	—	—	66.4	—	—	53.0	—	—	53.2	—
1	Worcester, Mass.	47.9	48.0	46.8	48.2	48.8	47.6	20.2	27.0	13.3	28.3	31.1	25.5	—	49.7	—	52.9	56.8	49.0	—	—	—	—	—	—
2	New York, N. Y.	48.0	53.2	43.0	45.0	55.1	39.9	20.8	21.1	16.9	23.3	23.8	19.6	37.5	43.6	36.2	40.2	47.0	38.3	50.3	53.6	47.0	52.5	57.6	47.4
3	Atlanta, Ga.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4	Birmingham, Ala.	42.4	54.0	35.0	45.5	57.5	38.0	17.7	20.0	14.0	20.6	25.2	17.6	39.2	44.4	34.0	50.0	51.3	49.0	46.6	49.5	43.0	50.0	51.3	49.0
4	New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	40.9	49.7	40.8	35.9	46.2	39.8	40.9	49.7	40.8	35.9	46.2	39.8
5	Cincinnati, Ohio	53.7	58.0	50.0	50.4	58.3	41.6	16.7	22.7	11.4	17.5	21.9	14.5	57.7	66.7	48.8	54.7	62.6	48.6	—	45.0	—	44.1	55.8	32.5
5	Cleveland, Ohio	43.5	51.7	36.1	43.2	53.8	40.5	18.4	21.6	13.9	21.7	22.7	16.8	—	33.5	—	41.8	51.7	32.0	61.8	80.9	40.5	71.2	90.4	41.2
5	Columbus, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Detroit, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Grand Rapids, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Louisville, Ky.	50.3	55.0	45.5	46.8	47.4	46.3	18.7	19.1	18.3	18.4	18.6	18.2	43.1	48.9	40.2	42.2	49.4	36.7	49.7	60.1	42.4	47.4	51.8	43.5
5	Ottawa, Ontario	34.5	43.8	23.8	38.0	48.3	33.8	15.2	17.0	13.0	20.9	29.9	18.2	—	—	—	—	—	—	—	—	—	—	—	—
5	Toledo, Ohio	38.8	40.0	38.4	42.2	46.9	41.7	15.8	17.0	13.6	21.1	21.4	15.8	66.8	71.9	61.7	58.2	60.9	55.4	—	—	—	38.8	42.7	34.9
5	Youngstown, Ohio*	—	39.0	—	—	40.3	—	—	15.1	—	—	16.8	—	—	—	—	—	—	—	—	51.2	—	—	49.6	—
6	Cedar Rapids, Ia.	52.6	54.2	51.0	56.2	56.5	56.0	17.6	21.2	14.0	28.0	38.0	18.0	—	72.0	—	—	75.0	—	65.2	67.4	63.0	70.9	72.8	69.0
6	Davenport, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Des Moines, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Minneapolis, Minn.	56.1	61.3	48.1	55.3	58.0	47.8	19.4	20.5	17.6	22.6	24.5	20.7	47.3	54.7	39.9	—	55.4	—	54.2	60.5	47.6	56.6	68.4	51.1
6	Omaha, Neb.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Sioux City, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Kansas City, Mo.	—	—	—	47.2	61.7	39.1	—	—	—	15.6	21.5	13.2	—	—	—	58.0	71.3	53.6	—	—	—	—	—	—
7	St. Louis, Mo.	54.2	57.2	52.5	52.4	55.1	48.4	18.2	20.1	17.1	20.0	24.0	17.1	41.9	51.0	32.9	38.7	39.6	35.5	46.6	54.0	40.0	47.9	53.8	41.5
9	Denver, Colo.	47.3	50.4	40.0	48.6	52.0	37.2	16.7	26.3	16.1	22.2	32.8	18.2	44.8	48.6	41.0	45.7	49.7	41.8	44.8	48.6	41.0	45.7	49.7	41.8
9	Salt Lake City, Utah	55.2	61.1	50.5	58.3	67.8	46.7	21.0	24.9	17.5	21.9	25.4	19.3	—	—	—	—	—	—	49.1	49.2	49.0	48.6	49.5	47.7
10	Spokane, Wash.	—	—	—	53.0	72.9	46.2	—	—	—	16.0	16.9	13.8	—	—	—	—	—	—	—	—	—	—	—	—
10	Vancouver, B. C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Victoria, B. C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Los Angeles, Calif.	49.9	66.1	33.5	53.2	58.8	41.0	16.9	18.7	14.8	—	18.6	—	—	—	—	—	—	—	48.8	66.3	43.5	52.2	57.8	44.8
11	Oakland, Calif.	58.8	60.2	55.8	56.6	57.9	53.7	17.6	18.6	17.3	20.3	21.4	15.6	53.0	55.4	50.7	52.3	53.5	51.1	55.9	61.1	50.7	52.9	54.3	51.6
11	Santa Barbara, Calif.	58.9	63.4	54.1	57.8	64.2	46.4	—	—	—	—	—	—	56.1	59.7	51.4	55.3	61.4	48.7	62.0	69.8	48.8	56.8	67.0	46.6
11	San Francisco, Calif.	50.4	59.2	46.9	50.7	59.8	40.8	18.1	23.6	17.0	22.4	36.5	21.7	43.3	50.3	38.5	39.9	48.4	33.8	46.4	49.2	43.6	45.8	45.9	41.5
12	Baltimore, Md.	44.9	51.1	35.8	43.0	49.2	38.9	16.5	22.3	12.3	18.4	25.6	14.0	42.5	49.2	37.0	39.7	45.3	32.0	40.8	48.9	32.8	46.1	55.3	37.0
12	Pittsburgh, Pa.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Washington, D. C.	42.1	50.1	37.4	41.9	49.6	34.4	16.9	21.9	13.9	19.4	24.5	14.1	—	—	—	—	—	—	—	—	—	—	—	—
13	Milwaukee, Wisc.	51.7	55.7	47.8	49.9	53.3	46.5	16.3	16.4	16.2	16.9	17.1	16.6	49.1	53.0	45.2	56.1	65.0	47.2	46.3	64.5	40.0	64.3	69.9	44.0

*Figures for August.

INSTALMENT ACCOUNTS outstanding at department stores showed little change during August. Balances outstanding at the end of the month were 1 per cent above the level of July 31 and 10 per cent above a year ago. Collections on instalment accounts also increased slightly during the month, but the ratio of collections to accounts outstanding at the beginning of the month was unchanged from July. The August ratio of 17 per cent, however, was 2 points below a year ago. Charge accounts outstanding also showed little change during August, as is customary for this time of year. At the end of the month, outstanding balances were 1 per cent above July 31 and 4 per cent above a year ago. Collections on charge accounts decreased from July to August, but the collection ratio remained unchanged. The August ratio of 46 per cent, however, was 2 points below a year ago, and indicated an average repayment period of about 65 days. Sales of all types increased from July to August. The largest gain, 20 per cent, was reported for instalment sales, while cash and charge-account sales increased 14 per cent and 13 per cent, respectively. Instalment sales were also up from a year ago, but both cash and charge-account sales were below August of last year.—Federal Reserve Board.

FOR THE SMALLER BUSINESSMAN

Sales Promotions—Office Procedures
Credit & Collection Problems

Don't Forget About Collections

YOU WILL probably be reading this article about the middle of November. If yours is the kind of business that takes an upward surge this month and next, you will be busy now planning how best to get your share of Christmas trade. This is entirely as it should be. However, while you are so preoccupied, do not overlook collections. Now is the time to make every effort to get your customers' accounts in a satisfactory condition.

First, credit customers in good standing are your best prospects for additional sales. No matter how much customers might say they appreciate an overly tolerant attitude toward payment of accounts, they nevertheless have a guilty feeling about being in arrears. This leads them to trade elsewhere while that condition persists. Probably all businessmen have experienced the chagrin that comes from watching a past-due account customer, to whom generous extensions of time have been given, walk right past the store, and give current cash business to a competitor. Unfortunately, that is human nature.

This does not mean that every consideration should not be given to the customer who is genuinely unable to pay. It does mean, however, that some customers will often take advantage of a lax and indifferent attitude on the part of the store toward payment requirements.

With the customer in clear and real financial difficulty an agreed-upon schedule of partial payments should be set up, *and rigidly adhered to*. Even small amounts, paid regularly, are very much better than total ignoring of the bill. Also, they have the desired effect of keeping the obligation constantly in the customer's mind.

Some smaller businessmen have told us that they felt it unwise, and perhaps even dangerous, to remind certain customers about their unpaid bills. Imagined fear of resentment, or an exaggerated idea of their influence in taking away patronage of other customers, caused them to "go easy" with collection efforts. This is definitely a mistake. The customer who resents being reminded of a past-due bill needs some education in the proper handling of credit and credit granters have the obligation of such education. If it is courteously and patiently pointed out that good credit is the reward for prompt payment, and that credit is a sacred trust, eventually he or she will come to realize that credit obligations are not to be trifled with. And, what is more, that customer will have greater respect for the merchant who sturdily stands upon firm ground, than for the one who weakly surrenders.

One of the greatest advantages to the merchant in offering the convenience of credit is that charge account customers are usually "repeat" buyers. While cash customers tend to shop around, credit customers are more likely to concentrate their purchases in fewer stores. Also, the average credit transaction is two to three times larger than the average cash transaction. It is, therefore, good policy to keep those credit customers coming to the store, and "open to buy."

Second, this is a good time for stepped-up collection effort because we are nearing the end of the business year. Slow accounts remaining unpaid during this month and next, will stand little chance against the flood of year-end obligations that come in December and January. Hence, the slow accounts of today might well turn out to be those charged-off to "Profit and Loss" at fiscal year's end.

Careful attention to the "Age Analysis" of accounts receivable, so often described and recommended in this department, will prove to be highly rewarding.

Accounts on which some perfunctory collection work has been done, say all those over four months past due, should now be carefully analyzed: Who are these people; how long have we had the account; what is the past payment record, and what can be done to bring about payment without loss of good will?

Then, telephone calls, personal letters, and, if necessary, personal calls should be employed as circumstances indicate, to bring matters to a head. It is essential to take these accounts out of mere routine, and devote special and personal attention to them.

Having started collection work on these accounts, you must stay with them until satisfactory results are achieved. Consistent follow-up is the secret of collection success.

List the detail of action taken on each account on the Age Analysis form, or other record, and on a definite weekly or bi-weekly basis, contact the customer in one way or another. Set up a *collection timetable* and follow it closely. Should all reasonable collection methods fail, and it is determined that the customer is not inclined to pay amicably, then no time should be lost in turning the account over to an approved collection agency.

The great mistake many smaller merchants make is in failing to recognize the danger signals. They tend to hang on too long hoping for the customer to pay. There is a definite "point of no return" in collection work and at that point allow the professional collector to take over.

Usually a warning letter will be sent the debtor telling him or her that the account, unless paid, will be turned over to a collection agency by a certain date. Once that warning is issued, the merchant should do exactly what he has threatened to do and on the date stated. Failure to do so will cause the customer to think that he is easily put off, and that his threats mean nothing.

Work on past-due accounts done now, will pay handsomely in increased sales, in lessened charge-offs, and in a sounder year-end balance sheet. ★★★

"Safety Help"

(Beginning on page 11.)

items on a fair credit plan. This, we have done. Our plan is geared to the worker's wages. We do not oversell, but we encourage him, or her, to keep that car safe for his family and others on the highway. The other may be you. We also try to keep his car functioning correctly, so no time will be lost to his job or family motoring, by selling him a new battery, fog-light, spark plugs, anti-freeze and many other such necessary items.

Our collection methods today are patterned closely to those set forth by the Retail Credit Association. When I started in this type of credit work, it was just a matter of selling at no down payment to anyone and keep the power of repossession in reserve as a threat to bad guesses. Today, we demand credit information and are guided by the data received. Immediate equity, by means of a substantial down payment, is required. Size and length of terms depend on the balance and ability of customer to pay. We are building our credit business on the assumption that if we handle the customer correctly in the first place, he will be a continuous customer. We feel that by opening instalment accounts in our stores, we have increased the possibility of more motorists keeping their cars safe on our highways. ***

Resolution on the Planning Committee

The Resolutions Committee of the Board of Directors, Associated Credit Bureaus of America presented the following resolution at Washington, D. C., June 23, 1952:

The RESOLUTIONS COMMITTEE, consisting of William Arendt, Chairman, J. D. MacEwan and Jerry Harris, presents the following resolutions for your consideration:

WHEREAS, It is the feeling of the Board of Directors of the Associated Credit Bureaus of America, Inc., that the Planning Committee procedure authorized by the Board of Directors of the National Retail Credit Association, Credit Women's Breakfast Clubs of North America and Associated Credit Bureaus of America in 1948 for the purpose of coordinating the planning and arrangements for the joint annual International Consumer Credit Conference, has proved to be a sound and practical plan, and

WHEREAS, The Board of Directors of the Associated Credit Bureaus of America, Inc., recognize this procedure as being a major factor in the success of future conferences,

NOW THEREFORE BE IT RESOLVED, That the Board of Directors of the Associated Credit Bureaus of America, assembled in annual meeting in Washington, D. C., this 23rd day of June, 1952, does hereby express its appreciation for the valuable contributions made by the Planning Committee members representing the N.R.C.A., and the Credit Women's Breakfast Clubs of North America, and respectfully urge that this procedure be continued as a permanent method of conference planning, and that a copy of this resolution be transmitted to the Boards of Directors of the N.R.C.A. and CWBCofNA.

On motion made by J. A. Gross, seconded by George Johns, and unanimously carried, the above resolution was adopted by the Board of Directors on June 23, 1952.

Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

A Breakfast Clubber Views the 1952 Conference

RUTH C. WILDE, *President*, Credit Women's Breakfast Club of Toronto, Toronto, Canada

IT WAS RATHER dismal and a little chilly when we left for Washington on the morning of June 21st. It was exactly five minutes after eight when we were turning west from Riverside Drive to the Lakeshore Road and then the Queen Elizabeth Highway. My dream was becoming a reality, as I had been looking forward, with a very keen interest, for a year, to go to Washington and the Conference. We saw the sun rise and in a few minutes were able to shed our coats and hats. Just east of St. Catharines, we stopped for breakfast, toast, jam and coffee. We arrived at the border and when the Customs Inspector saw our luggage, I am sure he thought we were evacuating. We skirted Buffalo to Batavia and were really on our way. The State of Pennsylvania is particularly pretty with the mountains glowing in the sun and the profusion of hollyhocks and roses blooming along the fence line. We were arriving at Trout Run, a hamlet, and stopped for gasoline, only to see the village cutup, who asked us various questions and assured us we should have a raincoat to wear in Washington—he had been there the previous week and even though it rained, he had his raincoat and didn't miss a thing. It was here that our reservation had been made at the Hemlock, a very beautiful motel. We had dinner and before long we were in bed. On Sunday morning, which was beautiful, we arose, had breakfast and were on the last lap of our trip. We arrived in Washington and at the hotel at ten minutes after seven.

Monday morning we were up bright and early to attend the First International Bosses' Breakfast at 7:45. This meeting was well attended and very ably conducted by Margaret Manning, President of the Washington Club. After grace, Miss Manning asked us to introduce ourselves to each other and the meeting got under way. Mrs. Margaret Hickey, Editor of the Public Affairs Department of the Ladies' Home Journal, who also operates a school for secretaries in St. Louis, Missouri, was the guest speaker. Her subject was "Never Underestimate Your Citizen Power." This was a most interesting topic and her personality, together with her sense of humour, kept everyone on the edge of their seats. She certainly emphasized the fact that women, in most instances, let themselves down, but stressed that more and more women were taking a great part in world affairs and that every one of us should be doing something for the betterment and future of our country. My own thought is that many of us could take a pattern from her. Never lose confidence in yourself. On introducing myself to Mrs. Hickey after the breakfast, and telling her how much I had enjoyed her talk, she replied that we here in Canada should be proud of our country and that she had many inspirations from her visits to the north of the border. I perhaps should mention here that our breakfast was much like those we are served at our own meetings here in Toronto. The tables were decorated with red, white and blue centres, on which stood a holder with the American Flag and that of our own.

Following this, the first session of the business meetings took place. This was for Breakfast Clubbers and was a short meeting. Mrs. Lois Huey, our International President was in the chair and a perfect description of Lois is that she is a "petite lady" and is certainly a businesswoman. Her first item on the program was to pay tribute to those who had passed away during the year and everyone stood for a moment's silence. Lois then gave some of the highlights of the pre-convention Board meeting, and these you will read further on. Instructions were given to those serving on the various committees. I was fortunate enough to be on the Trophy Award Committee with Mary Geyer of Jackson, Tennessee, and Mrs. Marjorie Christensen of Des Moines, Iowa. I will pause here to tell you about this. The award given is based on the increase in membership and the organization of new clubs by our already formed clubs—50 per cent for increase and 50 per cent for organizing. The forms had previously been sent to each Club President, were completed and returned to Mary before the Conference. After our little session in Mary's room, the results were as follows: First prize went to the Ontario, California, Club with 100 per cent, the second to Riverside, California, with 85.79 per cent and the third to Jackson, Tennessee, with 55 per cent. Mary is an extremely personable person and needless to say her accent is very southern—in fact I told the girls later that if I were around her very much, I would be talking like her. She thought *I* had an accent (you may laugh here). This first meeting was short and was adjourned until Wednesday night.

On Monday night, a cruise on the Potomac had been arranged and this was indeed a pleasant outing. We each had been given tickets to the value of 25 cents each with which we could purchase refreshments on board. The sight of Washington on one side and Virginia on the other, each lighted up, was one long to be remembered. The boat sailed at about a quarter to nine and docked at about eleven o'clock and after a mad scramble for taxis, we arrived safely back at the hotel about eleven-thirty.

Tuesday morning we were up again early, as it was necessary for us to have our breakfast before assembling for the meeting, which started at eight forty-five. The first fifteen minutes were devoted to a singsong and that, in the morning, awakens anyone. The Welcome to the Conference was made by Royce Sehnert of Wichita, Kansas, President of the National Retail Credit Association. He made everyone feel right at home, as he seemed to be speaking to each one individually. At this meeting, Mrs. Lois Huey was officially introduced to the Conference, as being the International President of the Credit Women's Breakfast Clubs of North America. Then followed the appointment of the various committees and at ten o'clock, a panel discussion took place. It was a happy occasion to see our own T. L. Robinette, Q. C., on this panel. Nathaniel Leverone of Chicago was the guest speaker and his subject was "A Better Understanding." He said we were a

typical American audience who still had a sense of humour, humour being the thing that enables a minister to preach a better sermon. He also stated that the greatest thing in the world is to be able to understand one another. Tuesday night we went to a theatre to see a play, "The Hasty Heart." The tickets for this had been obtained by the Conference Committee, who were able to sell them to delegates for fifty cents each. It was a military play and extremely funny.

Wednesday morning, the meeting again started with a singsong and the reports of the various committees, after which a panel discussion on "Building Credit Sales" took place. Conducting this panel was Mr. W. J. Tate of Ottawa. The guest speaker for this morning was Mr. T. L. Robinette and his subject was "Your Place In Retailing." I quote: "Our two great nations have the good fortune to occupy and inhabit the North American Continent, we have shared the tragedy and the responsibility of two world wars. We have, in varying degrees, enjoyed, and are still enjoying, a higher standard of living than any other country in the world. As a Canadian, I am, and I hope, understandably, very proud of my own country and of its development as a nation. Many ladies are present who hold positions of responsibility in the field of retail credit. Credit does offer a challenge to the ambitious woman and much has been done to enhance her position through the medium of the Credit Women's Breakfast Clubs."

On Wednesday afternoon, I went shopping and to see inside the stores and was it hot—the temperature was 98 degrees. It was grand to get off the street into a store where it was cool. I must tell you here that on Tuesday night, a water main in the city broke and the Hotel was without air conditioning and water and what a time we had to get a trickle of water to wash. Needless to say, when I arrived back at the Hotel, I was hot and dirty and had to get changed to attend the International C.W.B.C. dinner, which was called for six o'clock. No water to wash with, so the Eau de Cologne took a beating. We got ourselves dressed and all looked pretty swish when we left our respective rooms, but that wasn't for long. We had a very nice turkey dinner with all the trimmings.

Annual Reports Are Read

It got hotter and hotter and soon we had our hats off and looked like something, believe me. This was perhaps the most important event of the Conference so far as Breakfast Clubbers were concerned. Lois presided and the reports of the various committees were read. It was announced that there were over 10,000 members and exactly 294 clubs now in existence, with some $12,000 in the Treasury. It was carried that we purchase two $5,000 bonds with part of this money. There were 28 new clubs organized, 2 reorganized and 20 affiliated during the year. Two clubs had disbanded and I was sorry to learn that Chatham was one of them. Cammee Lee Hollis, Bulletin Editor, reported that each month 11,000 copies of the International Bulletin were mailed. Mrs. Myrtle Bettride, Educational Chairman, reported 11,390 Educational Manuals sent out. Francie Rowe gave the report of the Budget Committee and the expenditures for the year amounted to $15,228.65 as against an estimated $13,725.00. An interesting item to the Club, in general, was that of changing the purchase of our pins from Graduate House. There had been some disappointments experienced in the past and from now on the pins will be purchased from the O. C. Tanner Jewelry Company of Salt Lake City, Utah. Marjorie Girton, Financial Secretary, reported 10,303 paid-up members. The various committees then gave their reports and the winners were announced, among them London, who had won the Bulletin Award for the second year in a row. A third win and the plaque is theirs.

Francie Rowe then took the chair as Nominating Chairman and presented each of the officers nominated for the respective offices, after which the ballots were passed to the voting delegates. There were 257 plus the 6 International officers, making a total of 263. District No. 5, of which we are a member, were 100 per cent present. After the collection of ballots, it wasn't long before the results were made known and the new officers are as follows: Mrs. Nelle Stombs, President; Mrs. Mabell Bliss, First Vice President; Marjorie Girton, Second Vice President; Marcella M. Adamitz, Recording Secretary; Mrs. Verena Poe, Corresponding Secretary; Mrs. Cammie Lee Hollis, Financial Secretary and Mrs. Una M. Pearson, Treasurer. The newly elected officers appeared and Francie Rowe did the installation. This was a most impressive ceremony and one which will long be remembered. After the installation, the new President, who is a charming person, took the chair and gave a short opportune talk on the future of our Club. Pauline Riley, the Fifth District President, presented Nelle with a gorgeous bouquet of roses. Mrs. Murrel Peterson, President of the Honolulu, Hawaii, Club, placed garlands of flowers on the new officers, as well as Lois.

Thursday morning opened with the usual singsong, followed by a panel discussion on "Credit Cooperation." Henry C. Alexander of Charlotte, North Carolina, conducted the panel, after which the election of officers was held and at ten-thirty, Bennet S. Chapple, Jr., of Pittsburgh, Pennsylvania, the guest speaker, was introduced. His subject was "Profits Through Prophecy."

The White House was open from ten to twelve, and we availed ourselves of the opportunity to be conducted on a tour. It is set in the centre of a block surrounded by well-kept grounds, flowers and shrubs. The grounds are beautiful and the flowers almost indescribable. We were shown the Presidential Ballroom, the Gold Room, the Green Room, the Blue Room and the main Dining Room. I was very fascinated by the Ballroom; the decorations are exquisite. I did run my fingers over the keys of the piano played by Mr. Harry Truman.

Thursday night was the grand finale, the banquet and dance starting at seven o'clock. It was still very warm in the Hotel, as the air was just beginning to let one know it was being cooled. At this dinner, we had roast breast of capon, broccoli hollandaise (cheese sauce), potatoes, salad and the famous Statler Hotel ice cream and coffee, which was very good. Everyone looked very elegant, most of the girls in evening dress and most men in cream dinner jackets. This was held in the Presidential Ballroom and the delegates from the various States sat together. A place had been reserved for Canadians and the whole affair was truly a wonderful climax to a grand get-together. The orchestra played during the entire meal and at intervals played the theme song for each state. For instance, as the orchestra played the Tennessee Waltz, all those from Tennessee were to rise and wave their napkins. They played Down by the Ohio and those from Ohio rose and waved, and so on for the other States.

After the show, it seemed only a matter of minutes until the remaining dishes and most of the tables were out of sight and the dancing started. This was a grand opportunity to chat and remark "nice to have met you, sorry to part." The evening was all too short. ***

Sales Promotion | Interviewing | Investigating | Authorizing | Billing | Collections | Control

The CREDIT Clinic

A "give-and-take" page wherein readers may ask — and answer — questions about their credit and collection problems and solve them in the laboratory of practical experience.

Employee Discount—Policy and Procedure

RECENTLY a member asked us to find out the various methods of handling employee discount. We wrote to a representative group of credit executives and asked for methods of handling the amount and eligibility requirements of employee discount in their organizations. Because there is no uniform pattern, each individual comment has been briefed and listed.

Specific Comments

St. Louis, Missouri. . . . Regular employees allowed discount when placed on payroll. Receive Discount Card at end of thirty days for identification. However, first thirty days may shop with discount privileges by securing shopping pass from employment office. New discount card issued each month to those on regular payroll. Colors of cards vary from month to month so they may be easily identified. This eliminates using discount privileges after leaving employ. Regular and contingent, twenty per cent. Contingent only day work.

Richmond, Virginia. . . . Fifteen per cent discount—deducted from salescheck. Co-worker or dependent has employee Charga-Plate or shopping pass.

Oklahoma City, Oklahoma. . . . All employees regardless of length of employment receive fifteen per cent discount (deducted from ticket at time of sale) on regular priced merchandise. Fifteen per cent discount also given on sale merchandise.

Pittsburgh, Pennsylvania. . . . Different colored Charga-Plate is given employees when they open account. Discount taken off by salesperson on the floor. (a) Account recognized as employee account, due to Charga-Plate. (b) Ten per cent on all items except ready-to-wear, fifteen per cent. (c) Employee who does not want account, but entitled to discount, is given a red plate with the word "Cash" marked on plate. (d) Employees entitled to discount when they go on payroll, but this does not necessarily mean that they have credit. Discount given on a cash plate or shopping card.

Louisville, Kentucky. . . . Give fifteen per cent on all employee purchases, including purchases by dependents. Issue serially numbered cards which are replaced at regular intervals. Card number must appear on saleschecks which show discount. Twenty per cent allowed on all merchandise usable in the employee's work in store. Twenty per cent given on merchandise during fall and spring sale periods, each ten days' duration. Discount privilege in effect from first day of employment and includes temporary help.

Atlanta, Georgia. . . . (1) Employee Charga-Plate or cash plate. (2) Ten per cent on any purchase for self, or dependents. Twenty per cent on any item for personal use in keeping with store dress regulations. (3) All twenty per cent discount purchases approved by service manager.

San Francisco, California. . . . All employees, including extras, entitled to twenty per cent discount on all purchases beginning from date employed. Each employee given Discount Card good for ninety days which they present when making purchase. Discount deducted from each salescheck by person making sale. Discounts must be approved by department manager.

Rochester, New York. . . . Employees entitled to twenty per cent discount on purchases for themselves or dependents after employed thirty days. After six months' employment entitled to "our cost plus ten per cent" for outer clothing worn in store. Employee accounts arranged after six months of employment. Gifts may be purchased at twenty per cent at Christmas, Father's Day, etc.

Boston, Massachusetts. . . . Give flat twenty per cent discount to all employees on all merchandise. As a rule allow discount day he or she starts to work. Same discount whether merchandise be purchased on charge or budget basis.

Tulsa, Oklahoma. . . . Employees receive fifteen per cent discount from first day of employment. On certain items, dresses, suits, coats over $25.00, twenty per cent.

St. Louis, Missouri. . . . Employees must be in employ three months to obtain discount. Must be employed for six months to have charge account (subject to exceptions). Discount varies but is normally twenty-five per cent or less.

Birmingham, Alabama. . . . Every employee of firm from president to janitor receives twenty per cent discount on purchases. Discount deducted from regular price of merchandise at time of sale and a markdown taken in line with our retail method of inventory.

Lincoln, Nebraska. . . . When full-time employee with us thirty days entitled to thirty-three and one-third per cent on all purchases for personal use. If purchase is for other than personal use, twenty per cent. Try to hold account to amount equal to two weeks' salary. If account not paid in full by tenth of second month after purchases are made, account closed against additional purchases until paid in full. Part-time employees get twenty per cent discount on purchases for personal use only. Employees hired for special events do not get discount.

Huntington, West Virginia. . . . Discount given full-time employees and dependent family. Ten per cent given on most merchandise, twenty per cent on coats,

suits, dresses and beauty shop. Extras are given temporary pass good only for months in which extras work. Extras eligible only for ten per cent discount on all items.

Boston, Massachusetts. . . . Employees may charge up to one week's salary. (Special terms made with credit manager on large items.) Twenty per cent discount.

Little Rock, Arkansas. . . . Allow twenty per cent to all employees after ninety days' employment. Discount allowed only to employees and actual dependents.

Toledo, Ohio. . . . Regular employees who work not less than twenty hours weekly eligible for charge account. If approved special plate issued. All other employees issued cash discount plate. Both entitled ten per cent discount throughout store. Twenty per cent discount on clothing approved for store wear. Four times yearly special 15 per cent discount given on all store merchandise.

Brooklyn, New York. . . . Twenty per cent on wearing apparel and fifteen per cent all other merchandise to employees and dependents. Employees supplied with identification card. Cards exchanged yearly. Employee presents card whether charge or cash purchase. Section Manager signs.

Dayton, Ohio. . . . Regulars twenty per cent discount on ready-to-wear ten-dollar sale or more. Ten per cent on all other merchandise. Extras ten per cent up to seven dollars and fifty cents maximum discount on any one sale.

Milwaukee, Wisconsin. . . . Ten per cent. Three times a year, allow twenty per cent all employees' wearing apparel for personal use. Discount privilege given at once to new employee.

Birmingham, Alabama. . . . Fifteen per cent discount to all other than department heads. Discounts handled as markdowns. Allowed to all employees and dependents.

Spokane, Washington. . . . Discount allowed at end of three weeks' employment. Notice sent by Personnel Department to employee that regular employee's discount available and to call credit office with notice and Charga-Plate will be issued and, if credit desired, arrangements made. Employees' accounts generally deducted each week from salary. Department managers and others who qualify, placed on monthly basis, statement delivered to employee in store at end of month. Ten per cent discount on all cash purchases given to regular employee upon shopping pass issued by personnel or department manager. Extras who come in regularly on sale days, etc., get ten per cent discount for cash purchases only on days they work.

San Francisco, California. . . . Allow fifteen per cent granted as soon as employee goes on regular payroll. Certain arrangements made for temporary employees. Employee on regular payroll with discount must pay account in full within forty days from closing date. For example, the "C's" close on fifth of month, therefore, balance of that month's bill must be paid in full by fifteenth of following month. If not, we charge back to account 17.25 per cent of unpaid balance as of fifteenth of month. On contract account in arrears two or more payments, 17.25 per cent charge-back on the balance as of the delinquent date. If account is retired by original due date, then credit made for charge-back. Strict policy with exceptions only in cases of illness or other good reasons. The 17.25 per cent charge-back gives us original fifteen per cent discount.

Charleston, West Virginia. . . . Fifteen per cent to all employees including extras on days work. Department managers and assistants thirty per cent.

Atlanta, Georgia. . . . Thirty days' employment, twenty per cent on cash and ten per cent on charge purchases. Employee and full dependents eligible.

Chicago, Illinois. . . . Permanent regular employees, twenty per cent discount. Furnished credit plate for either cash or charge purchases. Discount deducted by salesclerk at time of sale. Employees on part-time payroll are entitled only ten per cent discount normally . . . also applies employees hired for Christmas. Employees entitled discount merchandise for themselves and for anyone dependent upon them for support, such as children under 18 years of age. Other members of household considered dependents if listed on employee's withholding exemption certificate as dependents and allowed as such by Federal Government under income tax definitions.

Philadelphia, Pennsylvania. . . . Ten per cent discount. Twice a year for period of approximately week, receive twenty per cent. Discount for employees and dependents. Each employee identified by card. If employee has charge account, given House Charga-Plate.

Roanoke, Virginia. . . . Fifteen per cent allowed on all merchandise after ninety days. Thirty per cent on four dresses year used for work. Discount handled as markdown in accounting department.

Rochester, New York. . . . Ten per cent discount after thirty days. Extra twenty per cent allowed on clothing suitable for store wear . . . this limited to six items year.

Pittsburgh, Pennsylvania. . . . Employee must be on regular payroll six months before we charge or open Budget Account. Permit credit to twice employee's weekly salary. Twenty per cent given to regulars and ten per cent extras.

Knoxville, Tennessee. . . . Ranges from ten per cent to twenty per cent different departments. Charga-Plate issued. If do not have account, issue cash discount plate. Extra employees entitled discount only days working and cash discount cards issued on request by personnel department for those days.

Milwaukee, Wisconsin. . . . Immediate eligibility, ten per cent. Pass required from department manager or supervisor.

Portland, Oregon. . . . Allow discount full-time employees with few minor exceptions. Problem is to eliminate as much as possible relatives buying not entitled to employee discount. We allow family discount to parents where employee pays all or fifty per cent upkeep of parents. This find hard to determine in many instances. At best recognize that policy abused. About all can do watch closely. Will say by so doing able detect quite number purchases where discount abused.

Cleveland, Ohio. . . . Regular employees, twenty per cent. Contingents, ten per cent. Entitled immediately. Issue shopping passes employees on request. Department heads O.K. such for regular employees. Contingents go to personnel office.

Memphis, Tennessee. . . . Fifteen per cent discount all employees. Either employee Charga-Plate or shopping pass issued by personnel department required identification. Discount allowed only merchandise use employee or dependents. ★★★

Editorial COMMENT

Sound and Profitable Credit

FOLLOWING the action, last May, of the Federal Reserve Board in abolishing Regulation W, many retailers adopted the policy of stressing unsound terms in their advertising, offering merchandise without a down payment and on unusually long time.

This policy, as it becomes more widespread, harms the consumer, often encouraging overbuying, and it is doubtful if credit sales, when liberal terms are offered generally, are increased to any appreciable extent.

With collections slightly lower and requiring much additional work, the building of sales on terms that are payable too far in the future is not good business.

Competition in credit in the long run benefits no one, particularly the customer. Frequently it results in failure to meet payments as agreed, extensions and even repossessions.

It is recommended that the following steps be given consideration in the opening of both monthly charge and instalment accounts:

1. Obtain essential information from applicant at time of interview.
2. Explain credit policies and credit terms.
3. Check application through the Credit Bureau for paying record and amount owed to others.
4. Do not permit customer to overbuy.
5. Watch accounts carefully and follow closely.
6. When an account is in an overbought condition, or payments are unsatisfactory, notify the Credit Bureau.

Keep credit on a sound and profitable basis by cooperating with other credit granters and the Credit Bureau. The latter should be looked upon as an important Credit Office Assistant.

L. S. Crowder

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION

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